Statement of Accounts

Bristol City Council
For the Year Ended 31 March 2018

The Accounts and Audit Regulations 2015 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 2017/18 (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

BRISTOL CITY COUNCIL

Contents

Councillor Preface

An introduction to the 2017/18 Statement of Accounts by the Deputy Mayor and Portfolio Holder for Finance, Governance and Performance, Councillor Craig Cheney.

I am pleased to introduce this year's statement of accounts for Bristol City Council, which sets out the council's financial performance for the last year. It summarises what we spent, how we spent it and what we have achieved. The statements include the wider consolidated accounts both for the council and its subsidiaries.

2017/18 has been another challenging year as we have continued to get a grip of the financial problems we faced in 2016, bringing down the budget deficit and stabilising the council's finances. I believe, as these accounts demonstrate, we have gone long way towards achieving that goal and we are in a financially more resilient position than last year. However there is still much to do in improving our financial management. We now need to focus on some specific areas to ensure resources are properly aligned to those priorities set out in our Corporate Strategy, and that programmes have the capacity to deliver better outcomes within budget and timescales.

In February 2017 the council agreed a package of some £62m of efficiencies and savings of which £33m were planned to be delivered during the 2017/18 financial year. Of those £25m were delivered during the year and £8m was offset by other one-off savings. Some very difficult decisions had to be taken, but we have still had to grapple with a further £100m of pressures over the next five years. This is because Government support continues to reduce whilst our population and demand for our essential services continues to grow. As part of this year's budget we agreed a further schedule of savings, to be delivered over the next five years, to meet that challenge. They were agreed on the back of a new Medium Term Financial Strategy. At the same time we have developed a new Corporate Strategy which provides strategic direction and helps inform our financial planning processes over the next five years.

Along with our key partners we are now creating a One City Plan which will look at what priorities we can achieve together over the medium and long term, and how key public agencies, including the council will respond to the challenges facing Bristol. This will help make sure we harness opportunities so that everybody benefits from success.

We continue to face a challenging and uncertain economic environment as budgets across the public sector continue to be reduced and as we rapidly approach the uncertainty of Brexit - which could have implications on our local economy and how we generate the income that pays for essential services. We must make sure every pound we spend is spent wisely and that we continue to focus on financial resilience, so that we remain in a better place to tackle any challenges. However we will continue to be resolute in our determination to provide the best possible and most cost-effective services for our residents in the face of ongoing austerity.

Given the above, it is vitally important that we continue to improve our financial governance arrangements, systems and processes. Many of the required improvements are set out in the Annual Governance Statement, which is published alongside the accounts.

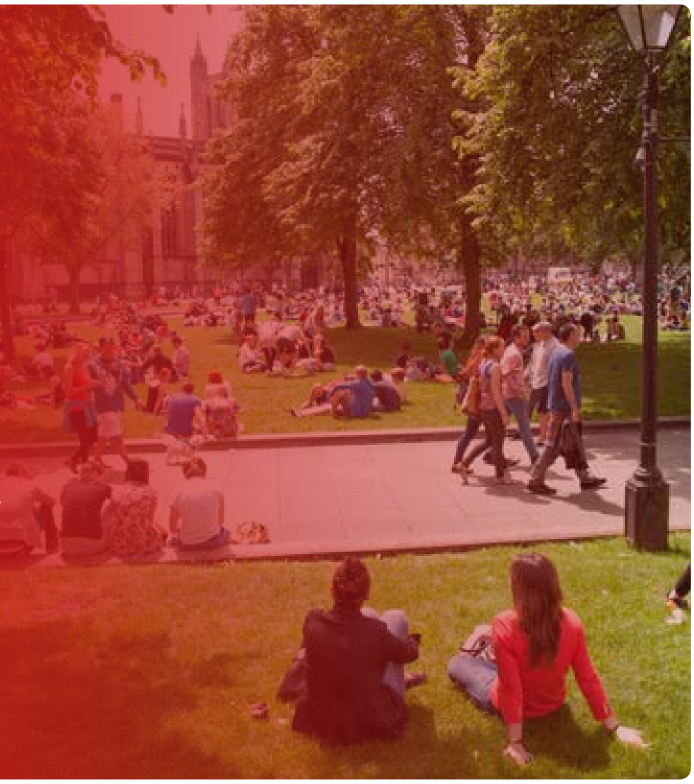
This year we have had to prepare and publish our accounts earlier than before, and I am grateful to all involved that we have been able to meet that challenge. Early publication facilitates improved transparency so that you can have greater assurance that taxpayers' money is spent appropriately. I should like to thank all colleagues involved in the process for making this happen.

Councillor Craig Cheney
Deputy Mayor – Finance, Governance and Performance

Narrative Report

Background

Bristol is a city in the south west of England, covering an area of 110 square kilometres. It is the 8th largest city in England and has a population of around 456,000 living in approximately 195,000 dwellings.



Bristol is part of the West of England Combined Authority and is well connected by road, rail, sea and air. From Brunel to Banksy, the city has a history of achieving great things.

This is affirmed by recent accolades such as becoming England's first UNESCO Learning City, European City of Sport in 2017, European Green Capital 2015 and the UK's smartest city.

However, like all cities Bristol has its challenges and long-standing health, social and economic inequalities exist within the city. Economic success has also brought challenges such as congestion, environmental pollution and high house prices. The city also has a rapidly growing population, especially child population.

The council and its partners across the city are working hard to address these issues and are creating the One City Plan, which will look at what needs to change in the short, medium and long term. The Corporate Strategy 2018-2023 starts to explain how Bristol City Council will contribute to this, and how services are being re-shaped to meet the challenge of having to save over £100m whilst the city's population grows and the need for life-and-limb care services increases. The council will no longer just be a provider of services, but more of an enabling and empowering organisation.

This is all driven by the ambition to make sure everyone is included in this city's success and will have a home where they can achieve their aspirations, regardless of their background or where they grew up. Despite its challenges, Bristol is a city of hope.

Our Corporate Strategy – at a glance

Our Vision

We play a leading role in driving a city of hope and aspiration where everyone can share in its success.

Our Themes

In achieving this vision we have based our activities around four themes:

Empowering and Caring:	Work with partners to empower communities and individuals, increase independence and support those who need it. Give children the best possible start in life.
Fair and Inclusive:	Improve economic and social equality, pursuing economic growth which includes everyone and making sure people have access to good quality learning, decent jobs and homes they can afford.
Well Connected:	Take bold and innovative steps to make Bristol a joined up city, linking up people with jobs and with each other.
Wellbeing:	Create healthier and more resilient communities where life expectancy is not determined by wealth or background.

Our Principles

We develop people and places to improve outcomes, empower communities and reduce the need for council services.

- Maximise opportunities to work with partners and other stakeholders locally, nationally and globally.
- Focus on planned long-term outcomes not short-term fixes, prioritising early intervention and prevention.
- Build city resilience, improving our ability to cope with environmental, economic or social 'shocks and stresses'.
- Plan inclusively with everyone in mind, but with a particular focus on our children and their future.
- Contribute to safer communities, including zero-tolerance to abuse or crime based on gender, disability, race, age, religion or sexuality.
- Use our assets wisely, generating a social and/or financial return. Raise money in a fair but business-like way.

Our Values and Behaviours

- We are **Dedicated** – We strive to make a difference
- We are **Curious** – We ask questions and explore possibilities
- We show **Respect** – We treat each other fairly
- We take **Ownership** – We accept personal accountability
- We are **Collaborative** – We come together to reach shared goals

Our key commitments

Empowering and Caring:

- Give our children the best start in life by protecting and developing children's centre services, being great corporate parents and protecting children from exploitation or harm.
- Reduce the overall level of homelessness and rough sleeping, with no-one needing to spend a 'second night out'.
- Provide 'help to help yourself' and 'help when you need it' through a sustainable, safe and diverse system of social care and safeguarding provision, with a focus on early help and intervention.
- Prioritise community development and enable people to support their community.

Fair and Inclusive:

- Make sure that 2,000 new homes – 800 affordable – are built in Bristol each year by 2020.
- Improve educational outcomes and reduce educational inequality, whilst ensuring there are enough school places to meet demand and a transparent admissions process.
- Develop a diverse economy that offers opportunity to all and makes quality work experience and apprenticeships available to every young person.
- Help develop balanced communities which are inclusive and avoid negative impacts from gentrification.

Well Connected:

- Improve physical and geographical connectivity; tackling congestion and progressing towards a mass transit system.
- Make progress towards being the UK's best digitally connected city.
- Reduce social and economic isolation and help connect people to people, people to jobs and people to opportunity.
- Work with cultural partners to involve citizens in the 'Bristol' story, giving everyone in the city a stake in our long-term strategies and sense of connection.

Wellbeing:

- Embed health in all our policies to improve physical & mental health and wellbeing, reducing inequalities and the demand for acute services.
- Keep Bristol on course to be run entirely on clean energy by 2050 whilst improving our environment to ensure people enjoy cleaner air, cleaner streets and access to parks and green spaces.
- Tackle food and fuel poverty.
- Keep Bristol a leading cultural city, helping make culture, sport and play accessible to all.

Our Obligations

These Key Commitments are not an exhaustive list of everything we will do. Indeed, much of our work is 'business as usual' meeting statutory and regulatory obligations which are set out in legislation.

Some of these are covered within our Key Commitments, but it can be taken as read that we'll make sure that we meet all of our legal obligations. Others include, but aren't limited to:

Highway Maintenance; Road Network Management; Public Health Strategy; Public Sector Equality Duty; Planning; Licensing; Care Act 2014; Waste Collection; Environmental Health And Enforcement; Elections; Registrar Services; Coroner Services; Special Educational Needs; Harbour; Information and Advice; Emergency Planning; Homelessness; Trading Standards; Libraries (Core Service); Tax Collection; Land Charges; Community Safety; Landlord Services; Property Services; General Data Protection Regulation

Helping us achieve our priorities

One City Plan: The long-term city-wide plan for Bristol, created and owned by partners across the city. It guides our thinking around all key issues.

Regional Devolution: Working as a key member of the West of England Combined Authority to help shape how £900m of investment is spent to improve transport, provide jobs and strengthen adult education.

Medium Term Financial Plan: Providing us with a five-year forward look at the financial environment and the principles by which we can make good financial decisions.

Health and Social Care integration: Working with our NHS partners to bring health and social care closer together and make the most of joint commissioning opportunities, with a bigger focus on prevention.

Business Infrastructure: Working with back office services to identify what needs to change to be a more effective and efficient council.

Workforce Plan: Sets out how the council will support our colleagues to be able to deliver for our citizens by developing their skills and careers as a model employer.

Our Services

The following core services are provided by the Council:

Core Services:

- **Adults, Children and Education**
  Education, Learning and Skills Improvement
  Safeguarding vulnerable adults and children
  Social care and support for adults including the elderly
  Support for carers
  Commissioning services
- **Communities**
  Coordinates Bristol's response to crime, community safety and antisocial behaviour
  Community Services
  Parks and open spaces
  Public Health
  Library services
  Licencing
  Housing and Landlord Services
- **Growth & Regeneration**
  Culture including major projects such as the Arena Planning
  Property including the management of the Council buildings and the City Docks
  Transport including the introduction of the Metrobus
  Economic development
- **Resources**
  Provides internal support services including;
  ICT, Finance, Workforce and Change
  Policy Strategy and Communications
  Legal and Democratic Services

Ring-fenced Accounts:

- **Housing Revenue Account**
  Accounts for the management and maintenance of around 27,000 Council homes in Bristol.
- **Dedicated Schools Grant**
  Grant funding the majority of the Council's expenditure on schools. The grant can only be used to meet expenditure properly included in the schools budget.
- **Public Health**
  An annual ring fenced grant from the Department of Health. Funds the Council's statutory duties to improve public health.

We work with local partners (including charities, businesses and other public services providers like the police and the NHS) and residents to determine and deliver local priorities. Typically councils like us provide over 700 services, either directly ourselves or by commissioning services from outside organisations.

In future we will still provide hundreds of day to day services, from being a landlord to cleaning the streets to huge projects worth hundreds of millions of pounds.

Our services

Financially the Council has significant challenges in the coming years including:

- Continuing budget pressures, in the past seven years the Council has had to save over £200m with a further £100m to save by 2023.
- The move away from Central Government grant funding towards a greater reliance on locally sourced taxation such as council tax and business rates.
- Demographic growth, and an increasingly aging population will continue to put pressure on the Council's budget.
- The financial impact of Brexit is as yet uncertain, but it is likely to affect interest and inflation rates, labour costs and property and rental values.

This means we will have an increasing role as an enabler and facilitator of others, as well as our traditional role as the steward of the social, economic and environmental wellbeing of the city and a direct provider or commissioner of services.

Our Leadership and Workforce

Our 70 elected Councillors represent the people of Bristol and set the overall policy of the Council.

Mayor, Marvin Rees, elected Mayor for Bristol, with City Council responsibilities that include ultimate responsibility for all major policy decisions, setting the vision and direction of the Council; and making 'executive' decisions within the budget and policy framework set by Full Council.

Cabinet Members, appointed by our Mayor, with responsibilities for particular portfolios. The Cabinet is made up of the Mayor and Cabinet members and the role of the Cabinet is to:

- provide leadership
- propose the budget and policy framework
- implement policy through executive directors
- make executive decisions as delegated by the Mayor

Scrutiny Commissions provide local accountability, openness and involvement in decision-making, aiming to improve results for people in Bristol.

Regulatory Committees that we have to have by law and other committees such as the Audit Committee which is responsible for:

- oversight of the council's accounts and governance arrangements
- codes of conduct and protocols

Senior officers – Which include 4 Executive Directors and Statutory Officers responsible for:

- Advising councillors on policy;
- Implementing councillors' decisions; and
- Service performance; and
- Ensuring that we are legally compliant and operating within our budget

Our workforce - Overall, our workforce comprises 7,566 'full time equivalent' employees. Of this total, 2,471 are employed within our locally maintained schools

Our Performance

Communities and living

- The Bristol Quality of Life survey 2017-18 highlighted 76% of residents were "satisfied with their local area as a place to live" and 2 out of 3 people did voluntary work or helped out in the community regularly (at least 3 times a year).
- Bristol was a "European City of Sport 2017" Over 1,500 people attended free sports taster events during the year. This legacy is continuing through Bristol Active City – see www.bristolactivecity.org.uk for more details.

Housing

- During 2016-17, 1,994 new homes were built in Bristol, including 700 units of student accommodation (2017-18 comparative information available September 2018).
- During 2017-18, 188 new affordable homes were built, and we helped to return 381 private sector empty properties back into occupation.
- Addressing homelessness is a priority issue, and our outreach teams continue to actively work with rough sleepers. Numbers continue to rise, and Bristol reported one of the highest numbers of rough sleepers in the national Rough Sleeper count (86 people in Nov 2017).

Economy and employment

- The Employment rate of 78.2% (Dec 2017) remains significantly higher than the national average for Britain (74.9%) and is the joint highest of the British Core Cities.
- Bristol contributed £14.31bn to the UK economy (Gross Value Added, GVA) in 2016 - up from £13.67bn in 2015.

Culture and creativity

- In 2017 Bristol was also named by UNESCO as a Creative City of Film.
- Bristol continues to be a major destination for tourists and entertainment, and had 11.6 million day visitors in 2016, and over 3.9 million visitors to the city for visitor attractions and performance venues in 2017-18.
- We run and maintain 8 Leisure Centres and swimming pools, where over 2.6 million individual visits occurred during 2017/18.

Sustainability

- Citywide CO2 emissions have decreased by a third (32% fall, 2005-2015), and the renewable energy capacity in Bristol has doubled (from 2013 to 2017).
- However, the increased numbers of people using public transport, and continued levels of vehicle use mean that reported air pollution levels of nitrogen dioxide still remain high.
- In 2017 the council had reduced carbon emissions from its own operations by 50% since 2011 (3 years ahead of the 2020 target)
- 44.7% of household waste was sent for reuse, recycling, composting or anaerobic digestion as at December 2017.

Our performance

Education

- Bristol was the first city in England to become part of the UNESCO Global Network of Learning Cities – see www.bristollearningcity.com for more details.
- The percentage of children with a good level of development at Early Years is solid at 67.7%.
- For Key Stage 2 pupils (at 11 years of age) new 2017 data shows 61% achieved the expected standard in Reading, Writing and Maths combined. This is much improved from 54% in 2016, and the same as the England average (61%).
- For Key Stage 4 (at age 16), 2017 data shows the average Attainment 8 score per pupil is 44 points, down from 47.7 points in 2016. Nationally this is 44.6, down from 48.5 points in 2016. [Attainment 8 is a student's average achievement across 8 subjects, with extra weighting given to maths and English].
- The percentage of Bristol Schools rated 'Good or Better' by Ofsted dips slightly on previous year, for Primary and Secondary schools:
    - Nurseries @ 100%
    - Primaries @ 86%
    - Secondary's @ 86%.

Adult social care

- At the end of 2017/18, around 6,100 adults were being supported by adult social care. Of these, 66.3% of service users (4,040 people) are supported to live independently in the community, with around 2,060 people in care homes.
- 68.3% of eligible adult social care service users (around 2,300 people at end 2017/18) receive "self-directed support" to meet their needs - giving people more choice and control to live their life independently; doing the things they want to do when they want to.
- In addition, around 1,400 carers had received support from adult social care during 2017/18.

Our performance

Key facts: Communites & living

66% of residents volunteer or help out in their community at least 3 times a year (QoL 2017)

Key facts: Culture & Creativity

Visting film & TV activities contributed **£18.3m** of investment to the Bristol economy in 2016/17

11.6m "day visitors" to Bristol

Key facts: Housing

1,994 new homes built in Bristol in 2016/17

£ ✓ homes

188 affordable homes built in 2017/18

Source: Bristol City Council (2018)

721 homeless households in 2017/18 (979 in 2016/17)

Key facts: Adult social care

6,100 adults Supported by social care at the end of 2017/18

66.3% live independently

Key facts: Air pollution monitoring:

Nitogen dioxide **42.1 ug/m^3**

Up from 40.1 ug/m³ in 2014

51 MWe (MegaWatt Equivalent) produced locally (2016/2017)

22 MWe from wind

12 MWe from solar PV

* Source: Bristol Waste Company/WasteDataFlow (2017)

44.7% of all household waste was sent for reuse, recycling and composting (2017) from **31.9%** in 2007*

Key facts: Education & skills

67.7% of children under five have a good level of development at Foundation Stage

National average **70.7%**

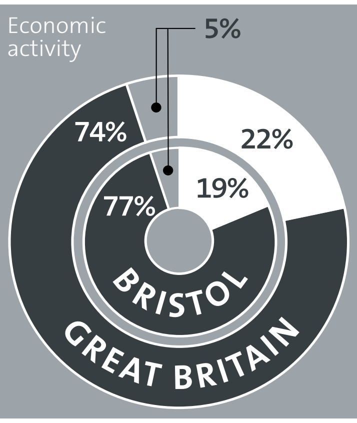
40.5% of Bristol pupils achieved a "strong pass" in English and Maths GCSE

61% of 11 year olds achieved the expected standard in Reading, Writing and Maths.

National average **61%**

Source: DfE 2017

Key facts: Economy & employment



- % in employment
- % unemployed
- % economically inactive

Source: ONS 2017

Bristol GVA contributes **£14.31bn** to the UK econony

Source: ONS 2016

Financial Performance

Along with the rest of local government the Council has faced a year on year decline in Government funding. The 2017/18 budget was set against this backdrop of financial uncertainty and increasing demand for our services. During the year the Council developed a Medium Term Financial Plan (MTFP), based on a rolling five year time frame from 2017/18 to 2021/22, ensuring that resources are aligned to outcomes in the Corporate Strategy.

The Council is a large and diverse organisation and our accounts are by their nature technical and complex. This section of the report provides an explanatory narrative to the key elements of the statements and sections in the accounts and also provides a summary of our financial performance of 2017/18.

- The Council collects £219.1m of business rates of which £152.5m is retained in year by the Council. This is net of the tariff of £53.5m which the Council returns to central government. We also collect business rates on behalf of the West of England Combined Authority and Avon Fire Authority.
- The Council also collects £227.2m of council tax (on behalf of Avon and Somerset Police and Crime Commissioner, Avon Fire Authority and itself), of which £193.6m is retained in year by the Council.
- Council tax in year collection for 2017/18 reached its highest level ever at 96.79%. This percentage was joint top across our comparable group of Cities. Overall collection including arrears also reached an all-time high equivalent to 98.73%. Business Rate in year collection fell slightly to 97.93% but was a great achievement when set against a backdrop of a Business Rate revaluation, administering numerous new reliefs and billing for a new City Centre Business Improvement District. During this year we have also seen a reduction in cases of non-payment being referred to our enforcement agents.
- The Council holds £3.157b of fixed assets comprising £2.631b of operational assets for delivering services and £255m of investment property.
- The Council is responsible for managing cashflows with an annual churn exceeding £1.3b.
- The Council accounts for £838m of fees, charges and grants receivable used to deliver services and keep council tax down.

West of England Combined Authority (WECA)

As part of the governments West of England devolution deal Bristol, Bath and North East Somerset and South Gloucestershire Councils agreed to the establishment of the West of England Combined Authority (WECA) to support economic growth and development across the region.

The creation of WECA enables the participating authorities to deliver joint aspirations for the region and take more local control over funding and decision making. This includes how £900m of investment is spent to improve transport, provide jobs and strengthen adult education as part of the regions devolution deal.

A further benefit includes the opportunity to take part in a 100% business rates retention pilot. This enables the three Council's to retain the majority of their business rates, in return for significantly reduced core funding from Central Government.

Financial performance

Revenue Financial Summary 2017/18

Revenue expenditure covers the cost of the Council's day to day operations and contributions to and from reserves.

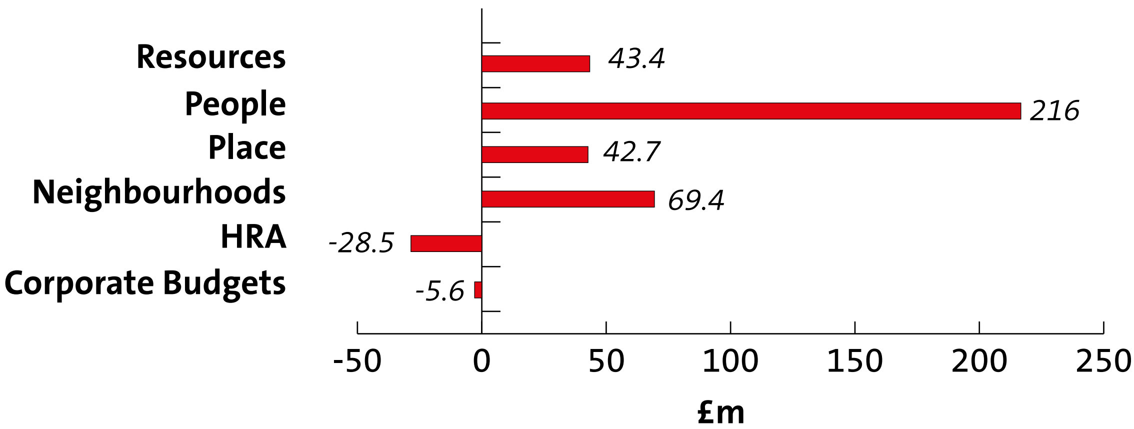
Net revenue expenditure across General Fund Services, as reported to Cabinet in May 2018 and excluding accounting adjustments, was £363.8m, against a budget of £364.1m. The £300k underspend has been achieved primarily through delivery of savings across all services and also, in a number of areas taking mitigating action following early identification of potential budget risks and overspends so there was sufficient time for remedial actions to be taken. The Council also received more than anticipated S31 Grant relating to small business rate relief following a late change in calculation of the threshold by the Government.

To meet funding challenges in 2017/18 the Council identified reductions in its net revenue budget of £33.1m. These reductions have been achieved through a combination of on-going deliverable savings, one off tactical savings or additional non-recurring income.

The gross cost of services during the year was £1.094b (1.027b in 2016/17). This includes both General Fund services and the Housing Revenue Account (HRA). After accounting for specific grants and income from fees and charges, the net cost of services was £337.4m (£277.2m in 2016/17). The breakdown of net expenditure between the different service areas is shown in the following chart.

Council Spending in £'s per Household

Directorate Net Expenditure (£m)

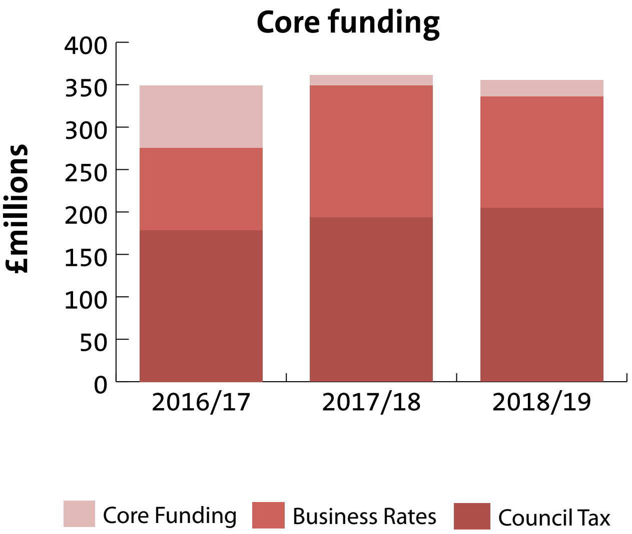


Financial performance

Sources of Funding

During 2017/18 the Council has been piloting 100% business rates retention. Pilot authorities retain 100% of locally raised business rates. In return they forgo Revenue Support Grant (RSG) and a number of other funding streams. Each pilot authority's tariffs and top-ups calculated by central government are adjusted to ensure the change is cost neutral for central government.

In tandem with this, during the last eight years, there has been a move away from central government core funding towards a greater reliance on locally sourced taxation such as business rates and council tax. The chart below shows where the Council gets its core funding.



From 2016/17 the government allowed councils to apply an additional levy on council tax to fund adult social care pressures. In 2017/18 this levy was 3% and raised an additional £9m towards social care services.

The budget for 2018/19

Despite an on-going backdrop of increased service costs and reduced central government funding the Council is required to set a balanced budget. To meet these pressures the Council has had to identify a total savings requirement of over £100m for the next five years with £34.5m proposed for 2018/19.

In 2018/19 the Council will spend over £1.2b on both capital investments and running day to day services including schools and welfare benefits. Spending by schools and on benefits is largely funded by the Government. This specific funding, together with the income the council receives from people who use its services, amount to £686.2m in 2018/19 leaving a spending total of £357.4m.

The money available to spend on day to day services is made up of council tax, business rates and some government grants and amounts to £355.8m. To meet our spending plans we also intend to use £1.6m of our reserves bringing the total net expenditure budget to £357.4m. This includes £12.8m earmarked for priority service areas such as adult social care, improved waste services.

Further details of the Council's budget are included in the Budget Report 2018/19 which is available on the Council's website.

Financial performance

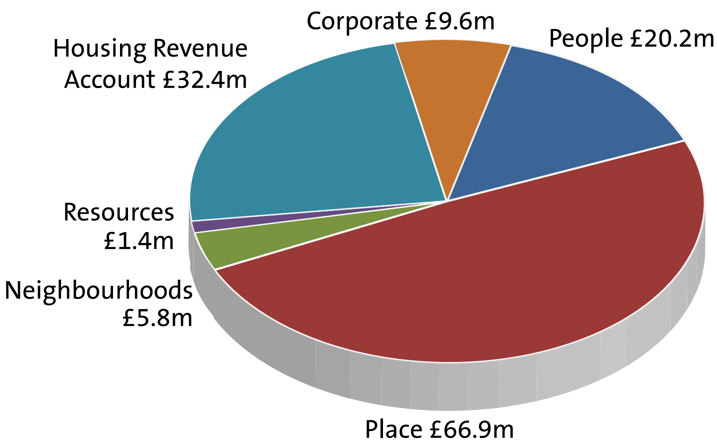
Capital Investment

Capital expenditure forms a large part of our spending. The Council has an ambitious capital programme to deliver projects that are fundamental to the Council achieving its aspiration to re-shape how we deliver our services as well as helping to unlock revenue savings and efficiencies to secure our on-going financial stability.

Overall the Capital Programme for 2017/18 was originally set at £213.5m. Capital spending (including revenue expenditure allowed to be funded by capital) during the year totalled £136.3m. An analysis of capital investment by directorate and sources of capital funding are shown in the charts below.

The Capital Programme was financed from a combination of borrowing (£44.3m) and from grants, contributions and reserves (£92m).

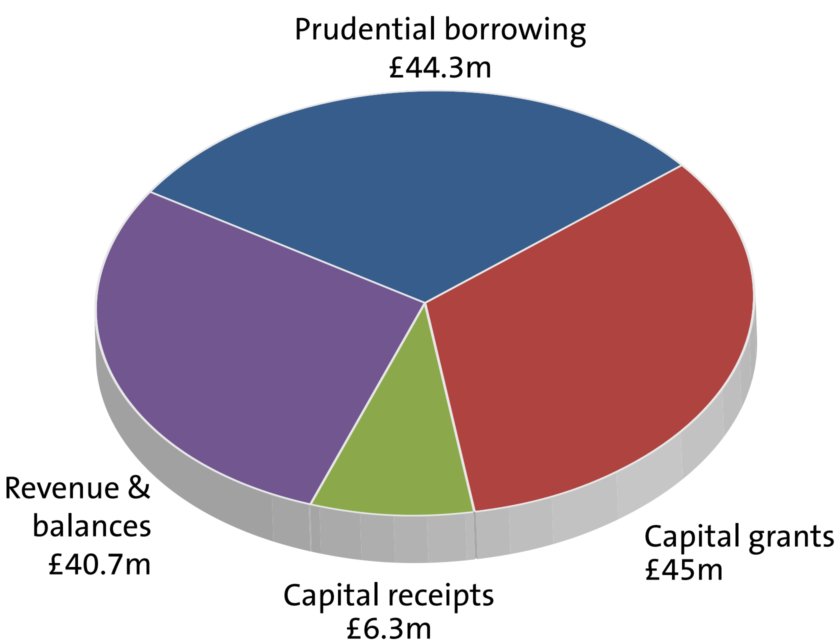
Capital Investment



The major areas of investment have included:

- £42m invested in transport schemes including the Metrobus programme, cycling network improvements, traffic infrastructure and maintenance
- £32m invested in the Council's housing stock
- £18m invested in schools buildings to provide additional pupil capacity to meet increased demand
- £9m invested in housing enabling works to accelerate the affordable provision including Hengrove and Lockleaze regeneration programmes and homelessness solutions
- £5m invested in preparatory work and infrastructure development for major projects including the Arena
- £4m invested in ICT development improvements including Bristol Operations Centre and the Integrated Education Management System
- £3m in core building improvements including Temple Street

Capital Financing



Financial performance

Housing Revenue Account (HRA)

The HRA Income and Expenditure Statement sets out the financial position for the year, before taking account of the statutory adjustments required to be made to the accounts. The Statement of Movement on the HRA Balance reflects these statutory adjustments and shows how the financial performance for the year has impacted on HRA reserves.

- The HRA Income and Expenditure Statement shows a net surplus for the year of £17m
- The Council's housing stock is a ring fenced landlord account
- The Council manages 27,038 homes
- The Council collected £112m in dwelling rent in 2017/18 (£113m in 2016/17)
- The Council spent £32.4m in 2017/18 (£48.8m in 2016/17) on new builds and improvements to existing housing stock.

Treasury Management

The 2017-2022 Treasury Management Strategy identified a medium term borrowing requirement of £450m to support the existing and future Capital Programme. The Council's Strategy is to defer borrowing while it has significant levels of cash balances. Deferring borrowing will reduce the "net" revenue interest cost of the Authority as well as reducing the Councils exposure to counter party risk for its investments. The Council recognises that utilising investments in lieu of borrowing has a finite duration and that future borrowing will be required to support capital expenditure.

Net Treasury debt (borrowing less investment) was £367m at the end of the year. The average level of funds available for investment purposes during the year was £94m. The return for the period was 0.44% compared to the recognised benchmark of 0.22% (7 day London Interbank Bid Rate (Libid) average for period).

The Council has complied with all treasury management legislative and regulatory requirements during the period and all transactions were in accordance with the approved Treasury Management Strategy.

Pensions

The City Council is a member of the Avon Pension Fund. The pension liability as at 31 March 2018 is £832m. The represents the value of what the Council owes across future years offset by the value of assets invested in the pension fund. The pension fund is revalued every three years. The 2016 valuation set contribution rates for three years commencing on 1 April 2017.

The current funding level is an estimated 86%. Employers are paying additional contributions over a period of 17 years in order to meet the shortfall.

Contingencies

The Council has set aside a provision of £24m within the collection fund for any business rates appeals against rateable values in future years. The increase from £11m in 2016/17 reflects the fact that the Council, as a business rates retention pilot, has a significantly greater exposure to the risk of business rates appeals. The annual contribution is in line with government recommendations. There were approximately 1,000 appeals outstanding at the 31 March 2018.

Financial performance

The Statement of Accounts

The Statement of Accounts is set out in the accompanying document; they consist of the following statements that are required to be prepared under the Code of Practice.

The Core Statements are:

- **The Comprehensive Income and Expenditure Statement** – this records all the Council's income and expenditure for the year. The top half of the statement provides an analysis by service area. The bottom half of the statement deals with corporate transactions and funding. Expenditure represents a combination of:
  - Service and activities that the Council is required to carry out by law (statutory duties) such as street cleaning, planning and registration; and
  - Discretionary expenditure focussed on local priorities and needs
- **The Movement in Reserves Statement** is a summary of the changes to our reserves over the course of the year. Reserves are divided into "useable", which can be invested in capital projects or service improvements, and "unusable" which must be set aside for specific purposes. We continually review the money we have in reserves for specific purposes to make sure they are at the right levels, and that our reserves continue to meet our needs.
- **The Balance Sheet** is a "snap shot" of the Council's assets, liabilities, cash balances and reserves at the year-end date
- **The Cash Flow Statement** shows the reasons for changes in the Council's cash balances during the year, and whether that change is due to operating activities, new investment, or financing activities (such as repayment of borrowing and other long term liabilities).

The Supplementary Financial Statements are:

- **The Housing Revenue Account** – this separately identifies the Council's statutory landlord function as a provider of social housing under the Local Government and Housing Act 1989.
- **The Collection Fund** summarises the collection of Council tax and business rates, and the redistribution of some of that money to Avon Fire Authority, the Avon and Somerset Police and Crime Commissioner and central government.
- **Group accounts.** The Council is required to produce Group Accounts alongside its own financial statements where it has material interests in subsidiaries, associates and/or joint ventures. The Group Accounts included as part of the Statement of Accounts fully incorporate the results of Bristol Holding Limited, Bristol Waste Company Limited and Bristol Energy Limited. Full details of the relationship can be found in the Group Accounts section of the Statement.

  Other entities which fall within the group boundary, but which are not consolidated into the Group Accounts as they are not considered to be material, are detailed within the Related Parties note within the Statement of Accounts.

The Notes to these financial statements provide more detail about the Council's accounting policies and individual transactions. Our Annual Governance Statement sets out the governance structure of the Council. It summarises the outcome of our review of the Governance Framework that has been in place during 2017/18 and our system of internal control, which is a critical component of our overall governance arrangements.

Denise Murray

Director of Finance
(Section 151 Officer)

Statement of Responsibilities

The Authority's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Director of Finance;

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

- Approve the Statement of Accounts by the 31st July 2018.

The Director of Finance Responsibilities

The Director of Finance 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 (the Code).

In preparing this Statement of Accounts, the Director of Finance has:

- selected suitable accounting policies and then applied them consistently;

- made judgements and estimates that were reasonable and prudent;

- complied with the Code.

The Director of Finance 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 Director of Finance

I hereby certify that this Statement of Accounts, provides a true and fair view of the financial position, financial performance and cash flows of Bristol City Council for the period ending 31 March 2018.

Denise Murray

Denise Murray
Director of Finance (Section 151 Officer)
26th March 2019

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

Opinion on the financial statements

We have audited the financial statements of Bristol City Council ("the Council") and its subsidiaries ("the Group") for the year ended 31 March 2018 which comprise the Council and Group Comprehensive Income and Expenditure Statements, the Council and Group Movement in Reserves Statements, the Council and group Balance Sheets, the Council and Group Cash Flow Statements, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2018 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion on the financial statements

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), the Code of Audit Practice issued by the National Audit Office in April 2015 ("Code of Audit Practice") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Council and group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The Director of Finance is responsible for the other information. The other information comprises the Narrative report together with all other information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office in November 2017, with the exception of the matter reported in the Basis for qualified conclusion on use of resources section of our report we are satisfied that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Basis for qualified conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources

Our work in respect of considering the Council's arrangements for informed decision-making included consideration of matters referred to us in connection with the final payment made to the ex-Chief Executive during the financial year.

We identified that:

- There was no policy or guidance in place in respect of senior officer final payments
- The arrangements in place did not support transparency in the Member approval of final payments.
- For the payment in question:
    - Whilst external legal advice was sought relating to the interpretation of the contract in the context of contractual entitlement, this legal advice was obtained without the involvement of the Council's Legal Services, and we have not been able to determine what information was provided to support this advice.
    - The decision to not require approval from the Human Resources Committee was supported by the external legal advice. However, this is contrary to the Council's Pay Policy Statement and does not accord with the practice undertaken in other cases.

These matters are evidence of significant weaknesses in arrangements to ensure informed decision-making by the Council. As set out below, statutory recommendations were issued in connection with these weaknesses under section 24 of the Local Audit and Accountability Act 2014.

We have undertaken our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion, published by the National Audit Office in November 2017, as to whether in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The National Audit Office has determined this criterion as that 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 2018.

Based on our risk assessment, we undertook such work as we considered necessary. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our qualified conclusion.

Matters on which we are required to report by exception

Statutory recommendations

On 11 March 2019 we issued a report in connection with our review of the final payment made to the ex-Chief Executive of the Council which contained recommendations designated as statutory under section 24 of the Local Audit and Accountability Act 2014. This report was copied to the Secretary of State for Housing, Communities and Local Government. The report and the recommendations were considered and accepted at a meeting of the Full Council held on 19 March 2019.

The statutory recommendations made focused on:

- Drafting an appropriate policy and guidance to cover severance packages for senior staff
- Improving the transparency of information provided and ensuring positive approval of discretionary elements
- Clarifying the route and responsibilities for approval of severance packages

Other matters

We have nothing to report in respect of the following other matters which the Code of Audit Practice (April 2015) requires us to report to you if:

- we have been unable to satisfy ourselves that the Annual Governance Statement is not misleading or inconsistent with other information that is forthcoming from the audit;
- we issue a report in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

Responsibilities of the Director of Finance and the Council

As explained more fully in the Statement of Responsibilities, the Director of Finance is responsible for the preparation of the Statement of Accounts, which comprises the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view.

In preparing the financial statements, the Director of Finance is responsible for assessing the Council's and group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council intends to cease operations of the Council or group or has no realistic alternative but to do so.

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 for the audit of the financial statements

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

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

Auditor's responsibilities in respect of the Council's use of resources

We are required under Section 20 of the Local Audit and Accountability Act 2014 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 National Audit Office requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criterion specified by the National Audit Office.

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.

Certificate of completion of the audit

We certify that we have completed the audit of the accounts of Bristol City Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Bristol City Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in the Responsibilities of the Audited Body and Responsibility of the Auditor within Chapter 2 of the Code of Audit Practice published by the National Audit Office in April 2015. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members, as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

David Eagles
For and on behalf of BDO LLP, Appointed Auditor
Ipswich, UK

23 May 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Annual Governance Statement 2017/18

Purpose of Statement

The purpose of this Annual Governance Statement (AGS) is to provide an overview of how the Council's governance arrangements operated, during the period 2017-18 and the subsequent period, up to the sign off of the 2017/18 financial statements and how the Council has reviewed the effectiveness of these arrangements. This statement includes an appraisal of the key controls in place to manage the principal governance risks. Where significant governance issues are identified, an explanation of what actions have been taken to bring about required improvement and the work still to be undertaken are recorded in an action plan.

It also meets the requirements of the Accounts and Audit Regulations 2015, which require the Council to publish an AGS in accordance with proper practice in relation to internal control.

The draft statement was presented to Directors and to the Audit Committee in May 2018, following which this statement has been finalised and formally approved.

Scope of Responsibility

We are responsible for ensuring that our business is conducted in accordance with the law and proper standards, and for ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. We also have a duty under the Local Government Act 1999 to continually review and improve the way we work, while at the same time offering value for money and an efficient and effective service.

What is Corporate Governance?

"Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved."

The Code of Corporate Governance

The Council has approved and adopted a Code of Corporate Governance (the Code). The code is consistent with the principles of the Chartered Institute of Public Finance and Accountancy / Society of Local Authority Chief Executives (CIPFA/SOLACE) Framework - *Delivering Good Governance in Local Government*.

A copy of the Code is available on the Council's website. This statement explains how the Council has complied with the Code.

The Code was refreshed and approved by the Audit Committee in January 2018 and will be reviewed on an annual basis.

The Governance Framework

The governance framework comprises the systems and processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community.

The approach to governance, takes account of the environment in which the Council now operates; its aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

- All Members have an important role to play in representing their constituents, as well as acting together as the Council.
- Officers serve the Council as a corporate body rather than any political group, combination of groups or individual member.

Members and Officers should work in an atmosphere of mutual trust and respect. Members determine the Council's policies and Officers are responsible for implementing decisions taken by the Council, Mayor, Cabinet and/or the appropriate committee as well as taking decisions delegated to them under the Scheme of Delegation. Committees review and scrutinise decisions, they cannot start or stop executive action but can challenge reasonably holding members and officers to account.

In discharging these duties all parties should act in an open, honest and transparent manner. The Council must seek to ensure that the highest standards are met and that governance arrangements are not only sound but are seen to be sound.

Legislation requires that certain functions be exercised by a 'proper officer'. The functions of the Mayor, Executive, Head of Paid Service, Chief Finance Officer (S151), Monitoring Officer and Statutory Scrutiny Officer are outlined in the Council's Constitution.

Committees & Boards

Scrutiny Commissions:

- Overview and Scrutiny Management Board (and call in Sub committee)
- Resources*
- Neighbourhoods* (Communities)
- People* (Adults, Children & Education)
- Place* (Growth & Regeneration)

*Constituted but did not meet in 2017/18 (see Decision Making , p.7)

Regulatory Committees:

- Development Control
- Licensing
- Public Rights of Way & Green
- Public Safety & Protection

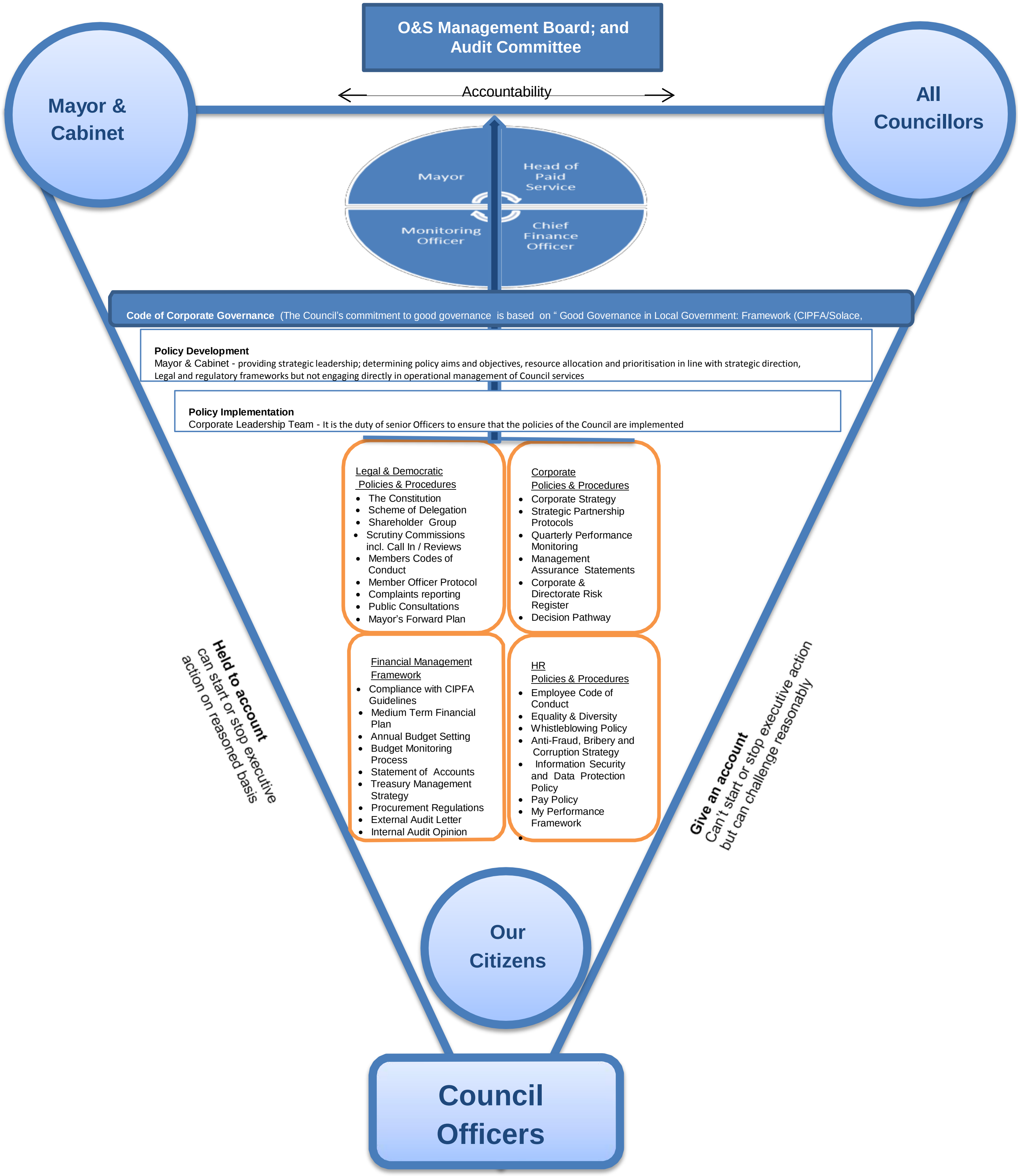
Other Committees:

- Audit
- HR
- Selection Committee
- Appeals Committee
- Women's Commission

Partnership Boards:

- Bristol Homes
- Health & Wellbeing
- Learning City
- Children's and Adult's Safeguarding
- WECA Committee
- WOE Joint Committee

Accountability within the Governance Framework



NB: Please note that this is not an exhaustive list of policies or accountabilities for the Council e.g. Safeguarding and other statutory and regulatory responsibilities are not covered by this framework

Statement

How did we do?

The Council operates in a complex, uncertain and constantly evolving financial, policy and legislative environment and the role, responsibilities and funding models of local government are in a period of rapid flux.

There was recognition early in the year of the need for change in how the Council must work to manage increasing demands for our services in the context of shrinking budgets. In addition we must also consider the structures required to ensure the right support is available and the required changes to support new ways of working are in place. The Council must continue to engage in a broad programme of innovation and reform work. This is to ensure that services for residents are efficient, effective and value for money, and can be maintained within available resources.

The Council's vision for Bristol and priorities in terms of the contribution to strategic outcomes has been clearly set out in the refreshed Corporate Strategy 2018-2023. It makes new commitments and focuses more on partnership working, inclusivity and a strategic direction as a 'development organisation', with less emphasis on the traditional 'service delivery' model. One element of the Council's vision is to 'play a leading role in driving a city of hope and aspiration where everyone can share in its success.'

The underpinning annual business plan identifies four strategic themes:

- Empowering and caring
- Fair and inclusive
- Well connected
- Wellbeing

It is explained within these themes the actions we're taking, the related commitments that will help us achieve this vision and the key measures of success. The business plans are supported by more detailed service plans which will be regularly monitored and reviewed during the course of 2018.

A clear set of council values and behaviours has been agreed and communicated via a range of mechanism and forums which have included staff training workshops and are being embedded in our 'My Performance' framework.

The Council has continued to review its governance arrangements, the Constitution and underpinning strategic documents such as the Financial Regulations, Contract Procedure Rules, and scheme of delegations. All have been refreshed and were approved by full Council in May 2018.

Following the departure of the Chief Executive in 2017, the statutory role of head of paid service has been discharged by the Executive directors on a rotational basis. A new senior management structure at strategic and service director level has been designed, creating a smaller team who will work with partners in co-designing initiatives and delivering our priority outcomes. The structure was launched by the Mayor in December 2017 (details of the structure are available on the Council's website). A transitional approach has been taken to its implementation. A phase of permanent recruitment is ongoing and progress is being made in relation to the delivery of agreed savings in senior management posts. The changes taking place present both opportunities and challenges. Major change can affect organisations across all levels. In implementing new strategies, processes and structures we have sought where possible to minimise negative outcomes. The scale and timing of the staffing changes has presented challenges in terms of capacity, continuity, contact points for external customers, transition planning and handover of delivery plans. Interim resources have been secured to provide backfill capacity, independent assurance and address skills gaps. This has enabled stocktakes and in-depth reviews to be undertaken with a fresh pair of eyes and the right expertise. Further issues and risks have been unearthed and improvement plans developed in a number of key areas.

How did we do?

The strategic financial framework, financial management and quality of the financial reporting have improved during the course of the year. There has been a particular focus on stabilising the Council's finances and within the challenging financial climate building resilience for the medium term. We have demonstrated that we are implementing achievable actions to deliver the cumulative savings programme as agreed by Council. We have ensured that there is a Council-wide commitment to identify alternative savings plans, where savings are at risk and hold funds in abeyance to mitigate the impact of the combined savings and budget pressures. A balanced position has been achieved for 2017/18 and with the exception of the Dedicated Schools Grant (DSG), ring fenced accounts have ended the year with under spends.

There is still however much to do in improving our financial management. Significant focus has been on the general fund and we now need to review and ensure ring fenced accounts, capital programme management, governance of our partnerships and our companies are also exposed to similar levels of rigour.

The Council welcomes peer challenges, internal and external review and audit, and inspections from regulatory bodies and gives thorough consideration to arising recommendations. Management responses are provided and agreed actions are being implemented and appropriately embedded.

Further Progress Required

A number of key challenges that were identified in 2017 remain at the early stage of development and continue to be high priority areas of work, particularly around workforce, skills systems and processes, which is scheduled to continue throughout 2018 as part of our transformation. The size, complexity and scale of the improvement work required and the level of resources available has meant a more pragmatic approach being adopted. This has ensured strong governance and co-design over changes being developed and implemented and has been critical in our ability to sustain both the improvement work and ongoing successful service delivery.

In relation to health and social care, it is acknowledged by all relevant partners that targets have not been met in the transfers from acute and non-acute care (delayed transfer of care). Arrangements for effective discharge planning and joint working between services need to be improved and funding is being earmarked for this purpose. The Better Lives Adult Transformation Program is seeking to address a number these issues and the progress will be closely monitored and reported throughout the year.

Within the context of changing national policy in relation to schools, including changes to the school funding formula, number of schools in deficit, high needs pressures and the reducing role of local authorities, a detailed review is required with a plan developed which supports schools to deliver a good or better level of continued improvement of education within a reduced funding envelope.

There is a shared view amongst service managers that navigating and negotiating corporate governance structures has been particularly challenging in 2017. Decision making processes were considered to be cumbersome and not sufficiently supporting service delivery. Consequently these have been subject to further review with the aim of ensuring the interventions add value whilst not reversing any positive trajectories achieved. The effectiveness of the changes in processes will continue to be monitored.

The review of governance arrangements has identified 12 main areas where the Council will need to focus its efforts during 2018/19, to address changing circumstances and challenges identified. These are set out in the action plan. Completion or substantial progress against these objectives is due by the end of the financial year, in March 2019.

Review of Effectiveness – Decision Making

The **Constitution** establishes how the Council operates, outlining the roles and responsibilities of the executive, non-executive, scrutiny functions and sets out the terms of reference for each of the Committees and includes a schedule of matters reserved for decision by Full Council, delegation arrangements to Members and Officers. Supporting procedures underpin the Constitution for example Financial Regulations, Contract Procurement Rules, Member/Officer Protocols and other procedures of how decisions are taken and the processes and controls required to manage this.

All Council and Committee meetings are held in public other than in limited circumstances where consideration of confidential or exempt information means the public are excluded.

The **Cabinet** is responsible for the key decisions of the Council. The Cabinet met frequently and made decisions in line with the Council's overall policies and budget.

The **Mayor** holds executive decision making powers in relation to all policy decisions not reserved for the Council. Requests have been made by Councillors for greater visibility of future decisions and at present the Forward Plan is kept under review and published monthly. The Mayor will take (or delegate to Cabinet members) key decisions in public.

Delegation of decision making to officers is detailed in the Scheme of Delegations so that they can deal with the day-to-day running of the service.

A '**Decision Pathway'** was introduced in the early part of the year to support the decision making process aiming to ensure that decisions were lawful, properly consulted and made based on full and accurate information. Practical application of the decision pathway however identified it as being complex and over-technical by managers across the Council and a perception that it resulted in delays in making timely decisions and in some cases missed opportunity.

The decision pathway has more recently been reviewed again to address these concerns and its effectiveness is subject to ongoing review.

Records - Decisions made by Committees, Council and Cabinet, (under their delegated powers) are recorded and published online for transparency. Senior Officers decisions (with a value of £100K to £499K) are recorded in meeting minutes, including meetings with the Executive Member and the relevant management team. A review of the publishing of Officer Executive decisions is under way and reminders have been issued at Directorate Management level.

Consulting members in decision making is a core part of the democratic process. Members are engaged through a variety of methods including weekly Cabinet Member/Portfolio holder briefings for which minutes are taken. Additionally, officers work alongside Scrutiny members in task and finish groups targeting particular areas.

Review of Effectiveness – Decision Making

The Council publishes a calendar of meetings and deadlines for the submission of agenda items. Agendas and reports are produced promptly and provided to the relevant Members 28 days in advance of decisions unless the need has arisen to use the special urgency provisions.

The decisions of the Cabinet are subject to scrutiny through the Overview and Scrutiny Management Board and can be called in for scrutiny to ensure that they are soundly based and consistent with Council policy.

Scrutiny Members decided to trial a different approach to scrutiny during 2017/18 which, in addition to the Overview and Scrutiny Management Board, established task and finish groups in place of directorate scrutiny committees. These were not public meetings; the groups included wide Member involvement aimed to undertake 'deep dives' of identified areas with a view to service or policy improvement.

The 2017/18 **Scrutiny Task and Finish Groups** were:

- Air Quality and Pollution
- Children's Centres
- Cribbs Patchway New Neighbourhood
- Council Assets
- Council Commissioning and Contracts
- Demand on Social Services (Adults)
- Fire Safety in Council Owned High Rise Buildings
- Libraries
- Medium Term Financial Plan
- Parks

The effectiveness of the Task and Finish Group arrangement has been reviewed with Members in February 2018 and 2018/19 will see Public Directorate scrutiny commissions meeting 3 times each year with a reduced number of Task and Finish groups. The Overview and Scrutiny Board, which met 14 times during 2017/18, will continue to meet going forward and will overview the work of the other scrutiny commissions.

The role of the **Human Resources Committee** includes the employment and remuneration of Executive Directors and Directors. Full Council has delegated to the Committee the power to determine the terms and conditions on which employees hold office including procedures for their dismissal and functions relating to local government pensions.

The **Audit Committee** meets independently of the Executive and Scrutiny functions. Whilst it has no routine decision making authority (outside of approving the annual statement of accounts), it provides assurance to Full Council that decision making processes are sound. A key purpose of the Audit Committee is to hold officers and the Executive to account where decision making and risk management processes have not been robust.

The **West of England Combined Authority (WECA)** is a separate legal entity**,** made up of three of the local authorities, working in partnership to deliver economic growth in the region. The West of England Mayor, who was elected in May 2017, has been given powers over spending, previously held by central government, on the region's transport, housing, adult education and skills. WECA also provides support to the West of England LEP Board and to the West of England Joint Committee, which includes North Somerset Council.

Scrutiny and Audit Committees have been established to scrutinise and hold to account the new Combined Authority and West of England Mayor. Decision making timetables between WECA/Joint Committee and the Council need to be aligned in order that those aspects of business which require Council approval are given sufficient time, scrutiny and governance.

Review of Effectiveness – Integrity, Ethics and Openness

The Council has responsibility to review the effectiveness of its governance. This review has been co-ordinated by the Internal Audit Team and included managers from each Directorate collating, reviewing and evidencing compliance and identifying any governance improvements required within their areas. Issues identified by External Reviews, Internal and External Audit were also considered for inclusion in this statement. Where the issues identified are considered significant, these will be outlined in the 2018/19 Annual Governance Statement action plan.

The Council's **Monitoring Officer** has legal responsibility to look into matters of potential unlawfulness and has confirmed that there has not been the need to make a report concerning any proposal, decision or omission that would give rise to unlawfulness or maladministration. Decisions have been made in accordance with the relevant policy framework.

Entries made in the Register of Members Interests were reviewed by the Monitoring Officer.

The Council's **Code of Conduct**; all new employees are required to declare any potential conflicts of interest and to sign the Code of Conduct upon commencement of employment. The adherence to timeliness for recurrent declaration of interests has improved within 2017/18 and will continue to be monitored on an ongoing basis.

The Council also has a Code of Conduct for elected and co-opted Members. The Audit Committee monitors standards of conduct of Members and when it appears that a breach may have occurred these are referred to the Audit Committee by the Monitoring Officer for a hearing.

If it appears that the Code of Conduct may have been broken by a member of staff that would warrant disciplinary action, this would be referred to the relevant service (HR or Audit) for investigation.

Employees are made aware of **core policies** such as the Anti-Fraud and Corruption Policy, the Whistleblowing Policy and the IT Security Policy upon induction and updates are shared through "The Source" (Council intranet) or cascaded through leadership and team meetings.

The Council informs, consults and involves residents in significant decisions including service and budget changes. Their views are submitted to those making decisions for consideration. Consultations and surveys this year have included a survey on council tax increase and a consultation on new ways of running parks and open spaces.

The Audit Committee is responsible for ensuring that arrangements are in place for the proportionate and independent investigation and follow up of **Whistleblowing** allegations, in line with recommended best practice.

The annual review of Whistleblowing arrangements occurred in 2017/18 and some areas where improvements could be made regarding awareness and confidence in Whistleblowing arrangements were identified and reported to the Audit committee during the course of the year.

Review of Effectiveness –Service Planning and Delivery

An extensive consultation exercise in 2017 led to a new **Corporate Strategy** for the period 2018-23, adopted by Full Council meeting in February 2018 as part of the Council's Policy Framework. The Corporate Strategy provides the Council's overarching medium term strategic direction and priorities for the next five years. In addition the strategy now takes account of the emerging One City Plan and updates information on the challenges facing the Council.

This is the basis on which the annual business plans have been prepared and the Council's performance framework (included individual officer performance) is grounded.

To keep the plan relatively short and simple, only the top level actions and most important measures of our success have been included in the Business Plan. Some actions may relate to more than one commitment, but are listed next to the most relevant one. To ensure the plans and the milestones and high level performance indicators remain relevant, they will be periodically refined in response to internal and external changes.

The Corporate Strategy includes our **values & behaviours** which defines how we work and what we stand for. These will be rolled out and embedded within the whole organisation.

Performance is monitored in line with business plan themes, directorate and key service plan drivers. In some areas such as Children's services, performance is measured and monitored via national professional standards.

The Council's approach to managing staff performance ("**My Performance**") requires regular, quality conversations and periodic online assessment. Online completion is monitored but inconsistent application has been identified. The Head of Human Resources has advised that only 42% of staff having registered completion of review compared to 68% in 2016/17. This decline in completion has resulted from a lack of clarity regarding the timing, development and roll out of the new performance monitoring framework that appropriately reflects the Council's vision and values.

The average working days lost to **sickness** as at December 2017 was 9.22 days, compared to 8.4 at the comparative period in 2016. This exceeded the target of 7.5 days and absence due to stress and limb disorder has significantly increased in 2017.

A number of planned additional actions have been developed to improve the number of working days lost due to absence; including regular case management, proactive targeted support for managers and systematic performance reviews.

Work is now well progressed on a **Strategic Workforce Plan** which now needs final approval and implementation. The plan will include work streams on: organisational culture; structure pay and reward; performance and talent management; diversity and inclusion; employer brand, recruitment and health and wellbeing. The Health and Wellbeing work stream includes: mental health training for staff; assisting colleagues through change; and launching a wellbeing website with support tools for managers and staff.

Review of Effectiveness –Service Planning and Delivery

Partnership working is fundamental to the work of the Council and delivery of the Corporate Strategy. There are many forms of collaboration with other organisations and these are governed in many ways – constitutional governance groups, contractual arrangements, partnership/service level agreements and information sharing arrangements. Some work-streams, however, would benefit from a more formalised approach than is currently taken. Work to refresh the Partnership policy is underway and will be based on a full awareness of all partnership arrangements.

In planning its services, the Council aims to consider the social, economic and environmental impact of its approaches. These aims are at the heart of public service and there are many examples of how Council services deliver '**social value'** of this kind.

More specifically the Council considers Social Value at pre-tender and tender stage to ensure that appropriate desirable outcomes can be offered by suppliers in their tender submission Further work is required to ensure that social value outcomes are agreed, clearly understood and effectively monitored going forward and to this effect the Social Value element of the Contract Procedure rules have been strengthened.

The Council has a procedure for tracking, handling and reporting formal complaints. These are reviewed and reported through the performance reporting framework.

During 2017/18, the Council responded to 76% (target of 90%) of complaints within the required timescales. Whilst this demonstrates progress when compared to 2016/17 (58%), we recognise that improvements are required to achieve higher levels of compliance.

Additionally, to further enhance performance the Council must also ensure that they learn from complaints received.

In 2016/17, a need to enhance Member development arrangements was identified. Ensuring Members have the correct skills to support community leadership and decision making is an important aspect of delivering the Council's aims and objectives. Additional resources have been allocated to develop a robust Member development programme going forward.

A new approach to Member briefings, various programmes of training have been delivered (e.g. to the Audit Committee) and a member online library containing items such as technical briefing has more recently been developed to ensure there is coordination and ease of access to information. A Member development steering group has been established and they have undertaken a gap analysis against the LGA Chartermark. This is forming the basis for a programme of work that is in part supported by the LGA but also strengthens links with other services.

Review of Effectiveness –Service Planning and Delivery

A **Multi-Agency Learning Review**, completed by the community safety partnership, Safer Bristol was published in December 2017 following the death of Mr Bijan Ebrahimi.

This report concluded that both the Council and the police collectively failed to provide an appropriate and professional service to Mr Ebrahimi. The review identified 14 recommendations for organisations, 4 specifically for the Council which included the process and evidence for Anti-Social Behaviour injunctions, a review of current vulnerable tenants, reviewing diversity training and awareness raising activities and change in our vulnerable tenant's policy. Actions outlined in the agreed action plan are being progressed and delivery is monitored through the Safer Bristol Executive.

The Local Government and Social Care Ombudsman made findings of fault in respect of the way the Council dealt with a family's housing and homelessness applications and storage of their belongings. The family had to share a single hotel room for more than three years.

The report referred to a number of Council departments being aware of the family's problems in the period 2014-2017 but that "nothing was done about their housing situation until the Ombudsman got involved." The report noted the actions taken by the Council to provide part remedy, for example action during the investigation to register a homelessness and housing application. Recommendations were made and actions required in terms of financial remedy, publication of the report, reporting the matter to the Council and informing the Ombudsman of compliance with the actions specified.

Review of Effectiveness – Information Technology and Information Security

The Council has an information security policy which is currently being refreshed to include strengthened requirements brought by the General Data Protection Regulations (GDPR). The holder of Senior Information Risk Owner (SIRO) role has changed during the year with a new SIRO appointed in February 2018. Turnover in asset owners and lead custodians has also brought a loss of organisational knowledge however this has provided the opportunity to review practice and procedures.

98% of staff have been trained in information security and GDPR training is currently being rolled out to all employees with 95% completion currently achieved. Further work, however, is still required to train colleagues in data retention.

A future state assessment of Information and Communications Technology (ICT) has taken place resulting in identification of a 'desired' future state that is modern, flexible and stable. If implemented effectively, the future state will help to ensure that the Council's ICT works to support departments in delivery of Council services going forward and enables the Council's digital ambitions, as these become clearer, to be realised. An achievable but challenging transition plan has been developed and costed with the intent of moving the Council to the desired state by 2023.

The future state offers a vision of ICT provision that is both lean and well positioned to leverage the benefit of current technology to help deliver the Council's digital ambitions for great end to end digitisation of services. The Council is, however, currently operating without a business led Digital Strategy to co-ordinate and drive digital development across the Council.

The priority given to preparing for the new GDPR regulations was escalated in the latter part of the year and additional resources sourced to address key priorities for compliance by 25 May 2018. A risk based approach is now being taken which will see the key building blocks in place by the 25 May, including:

- Training completed Council-wide
- Processes for handling subject access requests
- Record of processing activity
- New contracts will be GDPR compliant
- Updated privacy notices
- Privacy Impact Assessment (PIA's) completed
- Consent forms updated
- Old data reviewed and in the process of being deleted

Plans are in place to ensure the Council is fully compliant going forward and progress is being monitored by the SIRO. At the same time, information governance overall is being reviewed to incorporate stronger oversight of arrangements concerning information management and security including reviewing the role and terms of reference of the information assurance group.

Procedures were in place during 2017/18 to report information security breaches internally. Some 280 such reports were made during the year, of which 2 were reported to the Information Commissioner's Office with no further action being required in either case although in one case the Council were deemed to be in breach. Senior managers have provided assurance that action has been taken by them, in consultation with experts in the Council, to respond to those breaches appropriately. However, there have been some failings to report breaches to the information commissioner in a timely way. Similarly, a number of subject access requests had not been dealt with in a timely manner. Processes are now being reviewed as part of GDPR preparations to ensure these processes are rectified now and going forward.

Review of Effectiveness – Risk Management Arrangements

The Council's **Risk Management Policy** was reviewed, endorsed by the Audit Committee (September) and approved by Cabinet (December 2017). The Corporate Risk Register is part of this framework and is an articulation of the key risks impacting the Council. It is intended to be used to inform decision making, provide assurance over actions being taken to manage key risks and to inform directorate level risk management planning and mitigation activities.

For the key strategic risks, named risk managers are identified in the Register. Risk management should be an integral component of the business planning, project management and other corporate processes, such as the budget, linking risk to the achievement, monitoring and resourcing of objectives at directorate level.

Risk management needs to continue to be embedded within the Council and risk training options are currently being reviewed and refreshed including consideration of online tools.

The Corporate Risk Register was refreshed using new methodologies as outlined in the policy and received by the Audit Committee November 2017 and Cabinet January 2018. It is proposed that the Corporate Risk Register will be reported at least twice a year.

However, during 2017/18, the following practices were not consistently applied to assist with embedding Risk Management at all levels and across the Council:

- **Quarterly review of Corporate and Directorate Risk Registers.** This lapsed during the year. Whilst development work was completed in respect of the Corporate Risk Register, Directorate Risk Registers were not consistently maintained in line with the new format and or policy.

- Whilst the Risk Management Policy was approved, **training and awareness** needs to be addressed to ensure consistent application.

I.T contracts which support the delivery of corporately **critical systems have been systematically risk assessed** and monitoring and mitigation have been developed to minimise Council risk exposure across the 280 contracts.

The Council responded seriously to the financial challenge and had set about reassessing its financial bases to more realistic levels to address the financial gap. A number of areas of the financial plans were ambitious and some areas of risk were identified and have been managed.

Resourcing Risk Management: A dedicated and specialist risk manager was not in place to drive forward improvements and assist managers and advise Members on the management of risks and issues. An interim resource has been sourced early in 2018/19 to support the Council with embedding the principles and to consider how this area should be resourced in the future.

Whilst risk management has been inconsistent at strategic level, assurance statements from managers across the Council indicate ongoing consideration of risk at service delivery level. This can range from management of service risks in line with that governed by national frameworks and professional standards to risk consideration in project delivery or new business case approvals.

Review of Effectiveness – Financial Arrangements

The **Director of Finance** has confirmed that the principles outlined in the CIPFA *Statement on the Role of the Chief Financial Officer (S151 Officer) in Local Government* have been complied with in performing her duties.

The S151 Officer is a member of the Councils Corporate Leadership Team and as such is ideally placed to develop and implement strategic objectives within the Council, influence material business decisions and oversee corporate governance arrangements, the audit and risk management framework and the annual budget strategy and planning processes.

The Council's approach to Financial Management ensures that public money is safeguarded and used to best effect in supporting both long term achievement of objectives and shorter term financial and operational performance when ensuring value for money is achieved.

Changes to the local government finance system, and delivery of continued significant savings continues to present significant risks to the Council's priorities and ambitions. Through effective leadership the key focus for 2017/18 has been:

- Delivering our core strategic framework (of which financial framework is integral), improved financial management and quality of the reporting
- Stabilising of Council finances within the challenging financial climate.
- Implementation of a strengthened regime of governance and assurance.
- Ensuring sufficiency of resources with appropriate skills and capabilities.

Good progress has been made in the following areas:

Core strategic framework

- Review Policy and Budget framework within the Constitutional review.
- Refresh financial regulations / scheme of delegations.
- Developed a 5 year rolling MTFP.
- Contract procedure regulations.

Stabilising of Council finances

- Annual budget, including 5 year capital programme and Treasury Management Strategy.
- LGA Budget Peer review undertaken to support this process and improve budget setting.
- Budgets have been managed within delegated limits – balanced position achieved for 2017/18.

Strengthened governance and assurance

- Improved governance of savings programme via the Delivery Working Group and Delivery Executive and budget management Budget Scrutiny and Budget Executive – Member involvement.
- Increase capacity and profile of Internal Audit, with improved inspection and assurance regime.
- The MTFP and budget process involved the engagement of members via the Scrutiny Task and Finish Group.

Sufficiency of resources with appropriate skills and capabilities

- Resources realigned to provide greater agility and risk based target of resource.
- Additional skills and capacity secured via interim resources.

Further work is required in the following areas**:**

- Develop a Capital Strategy and improved governance of the capital programme.
- Deep dive review of ring fenced accounts (HRA / DSG/ PH), partnerships and our companies.
- Implementation of outstanding audit recommendations and finance systems and process improvements.

The 5 year **Capital Programme** contains high level programme areas and schemes at varying levels of readiness and as outlined in the draft finance outturn report for 2017/18 many projects have been subject to delays as a result of internal and external factors which have resulted in significant slippage and incremental re-profiling of budgeted / planned expenditure. This is a trend which we have seen reflected in prior years (identified in the 2016/17 AGS review) and urgent improvement is required to strengthen project management and capital governance.

The updated 2017 Prudential Code for Capital Finance in Local Authorities and its associated guidance highlight the need for the further strengthening of capital governance arrangements in local authorities. A Capital Strategy forms a critical part of strategic and financial planning, to ensure capital investment, proposals are fully justified in accordance with the strategic vision and fosters an integrated approach to the deployment of capital spend against a clear set of priorities including readiness assurance.

The Council will develop a capital strategy and ensure that robust governance arrangements are in place in 2018/19 for delivery of its rolling five year Capital Programme (including major infrastructure projects delivered in conjunction with regional Partners) to ensure initiatives that involve the direct delivery of significant infrastructure and capital investment are transparent within the Capital Programme from their inception and delivery ultimately overseen by a strategic governance board.

Procurement procedures were revised during 2017/18 to achieve transparency regarding third party activity across the Council, standardisation and efficiencies where appropriate and increase rigor in our procurement practices.

As a result of the gateways and processes introduced a number of weakness have surfaced in terms of procurement forward planning, contract management and understanding of procurement regulations. This area was also identified for review in the Audit plan for 2017/18.

Audit findings and responses contained in the Assurance Statements in respect of **Procurement and Contract Management** highlighted the following concerns regarding robustness of process:

- The use of waivers in the procurement of goods and services continued to be high and the waivers process was not applied consistently. It was identified that many waivers could have been avoided with effective contract planning.
- Services being procured outside of agreed framework agreements.
- Standards of contract management were found to be inconsistent across the Council.

Management actions were outlined in response to the Audit findings which aims to strengthen the Council's approach to commissioning, procurement and contract management. This included the introduction of a category management approach to procurement, a revision to the Contract Procurement regulations which includes category forward plans and whole life contract management. Implementation of this approach and its effectiveness will need to be monitored in 2018/19.

Review of Effectiveness – Council Owned Companies

Bristol is Open (BIO) Ltd is a Joint Venture company in which both the Council and the University of Bristol own a 50% stake. BIO was established to be the vehicle for an experimental broadband, wireless and high performance computing infrastructure that will stimulate and study the convergence in cities of different telecommunication, software, hardware, data and sensing technologies. BIO is expected to oversee the research infrastructure and form commercial partnerships with large technology companies, SME's and research organisations.

An Internal Audit review of the Council's own governance arrangements in relation to BIO was undertaken early in the financial year and identified areas for development and improvement in respect of how the Council monitors the achievement of the objectives set out in the original business case and assesses value for money in this high tech sector and the need for improved risk management arrangements.

The Councils performance oversight is provided by the Shareholder group and company governance has been further strengthened in more recent months with the reinstatement of shareholder meetings. A new Managing Director was appointed during the course of the year and a revised business plan is in development which will align to the strategic ambitions of both shareholders and will need to be underpinned by a financially sustainable operational plan. Work will continue in conjunction with the Shareholders to finalise any outstanding or associated commercial, legal and governance arrangements.

The turnover of BIO does not meet the materiality threshold and as such the company accounts are not consolidated within the Council's accounts.

The companies **Bristol Energy** and **Bristol Waste** are wholly owned by the Council through a company, Bristol Holding Limited.

- **Bristol Energy** is 'social' supplier of gas and electricity to domestic and business customers
- **Bristol Waste** provides recycling, waste collection, disposal and street cleansing services on behalf of the Council and because of the nature of the business the company is permitted an exemption (Teckal Company) from public procurement.

The companies produce their own accounts which are subject to independent external audit and consolidated into the Council's accounts.

An independent review was undertaken of Company Governance with recommendations agreed that will assist the Council in improving the level and effectiveness of Council oversight of the activities of those companies that it either wholly owns, or in which it has an interest. The implementation and the impact of actions taken in respect of the governance improvements identified by the review will be monitored throughout 2018/19.

The Council retained a thin client function; however it has been necessary during the course of the year to increase the capacity to oversee the contractual relationship with the companies. The appropriate size and scope of the client function going forward is under consideration.

In 2018/19 an assurance report will be provided from the companies Audit Committee for the Council's Audit Committee. The report will outline any significant risk/issues reported and the effectiveness of the internal controls. The timing and format of the report is still to be agreed.

Review of Effectiveness – Council Owned Companies

Assurance statements based on the model used by Council managers have been completed on behalf of each company to provide reassurance that governance arrangements are sound.

Each company has put in place their own governance arrangements which reflect the commercial environment within which they operate. The companies operate in accordance with agreed business plans and progress against them is monitored internally and reported to the Council's Shareholder group.

The energy market is both huge and complex and will always be punctuated by periods of shorter-term price volatility. Due to the cyclical nature of the market and the costs to serve, the investment horizon in the energy market is generally long term and **Bristol Energy** remains committed to their plan for meeting long-term growth and social value.

In 2017/18 the financial and trading environment remained challenging. Whilst Bristol Energy exceeded their target level of customer numbers, attracting more customers than predicted, the margins were lower than originally forecast. These factors in conjunction with the continued investment in business growth, innovation (such as smart metering) and our customer service which aimed to bring benefits to all customers, resulted in an increase in the net operating losses over the planning period.

The Governance arrangements have been strengthened, monthly performance reports which include operational and financial key performance indicators in addition to budget reports are presented to the Board and Shareholder group. An Audit and Risk Committee has been established and a mechanism is being considered which will ensure Audit Committee members and senior management are provided with independent, objective views on the risk and internal controls within the company. Plans are in place for the establishment of a Remuneration Committee in 2018/19.

A Risk Management framework is in place with regular review of key risks of the business reported to the Board and the Audit and Risk Committee. A Business Continuity Plan for the company is in place and was tested during the extreme weather conditions in 2017/18.

The arrangements above will support robust decision making and achieving the aim to provide a wide range of benefits to residents and local businesses, deliver positive social impacts through job creation and tackling fuel poverty.

Bristol Waste, exceeded its expected performance in the attainment of household and municipal waste recycling percentages assisting the City in achieving its statutory targets in 2020 and through improved contracts, has dramatically reduced the quantity and % of Bristol's waste being disposed of at landfill (15% for 2017/18 represents a 10% reduction on the previous year) and achieved a net surplus for 2017/18.

It has been recognised that there has been an insufficient level of Non-Executive Directors on the Board at Bristol Waste, which has impacted upon the ability to maintain effective governance arrangements in respect of Audit Committee and Remuneration Committee arrangements. There has been a significant turnover in the senior management team in a relatively short period of time but this has been mitigated by interim arrangements to ensure that operational delivery was not adversely impacted and where appropriate permanent recruitment is underway.

Bristol Waste maintains a risk matrix which is regularly reported at Board and through to the Shareholder Group this needs to be further developed to reflect a more rigorous approach to reporting of risk and realisation of opportunities. In addition to the above the evolving Business Continuity Plan is being further developed and due to be finalised in the first quarter of 2018/19.

Review of Effectiveness - Audit Arrangements

The preparation of the Annual Governance Statement has continued to be based on a robust approach whereby Managers and relevant budget holders from across the Council complete assurance statements for each of their areas acknowledging responsibility for internal control and risk management. Each of these employees have certified or otherwise their satisfaction with the arrangements in place during 2017/18. Several areas for improvement have been identified.

The **Audit Committee** provides independent assurance on the adequacy of the governance arrangements in the Council and has cross party representation.

The Committee met on six occasions during 2017/18, considering reports from the Chief Internal Auditor including the Annual Internal Audit Report, the S151 Officer, the Monitoring Officer and the External Auditor.

The Annual assessments of the effectiveness of the Committee was undertaken (following CIPFA good practice guidance) to identify any areas where improvements are necessary to increase its effectiveness. Independent members were appointed during 2017/18 to strengthen the Committee.

An external peer review of the Internal Audit service was completed in 2017/18, which concluded that the team was generally compliant with professional standards (97% fully or partially compliant). An action plan for improvement has been agreed and implementation will be monitored via the Audit Committee. Additionally, an internal review has highlighted various areas for development in order to enhance the Internal Audit service.

The Internal Audit Team has undertaken a programme of reviews around governance arrangements, internal control and risk management arrangements at the Council.

Overall, their opinion is that only **limited assurance** could be provided in respect of 2017/18 as detailed in the Annual Internal Audit Report.

The Audit Committee received regular reports on **counter fraud and fraud investigations** throughout 2017/18.
A review of the Council's position related to the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption was reported to the Audit Committee in 2017/18. Fraud work continues to identify potential recoverable savings.

BDO is currently the Council's appointed **External Auditor**. As well as the examination of the Council's financial statements, the work of the Council's External Auditor includes an assessment of the degree to which the Council delivers value for money in the use of its resources.

In its Annual Report for 2016/17, BDO issued an unmodified true and fair opinion on the financial statements. It also made an adverse conclusion on the Council's arrangements in place for securing economy, effectiveness and efficiency in its use of resources.

The profile of the Internal Audit section has been improved via increased attendance at management team meetings and regular meetings with management. This has contributed towards an improvement in the rate of implementation of audit recommendations.

IMPROVEMENTS MADE IN 2017/18

During 2017/18, the Council has made progress in enhancing its' governance arrangements via the following:

- ✓ The Corporate Strategy has been refreshed with developments in its alignment to business and service planning.
- ✓ A clear set of Council values and behaviours has been agreed, incorporated into the Corporate Strategy and communicated via training workshops.
- ✓ During the course of the year, there have been a number of internal and external reviews. All reports have been discussed in a range of forums, duly considered, management responses provided and agreed actions are being implemented and embed appropriately. Such independent external reviews of Council services, systems and processes include:

  - Registration and Elections Service;
  - Local Government Association reviews of Children's Services finances, Early Help Services, Intervention Targeted Services;
  - LGA review of Special Education Need and Disability;
  - Joint Targeted Area Inspection of the multi-agency response to Abuse and Neglect by the Council;
  - Peer Challenge on the theme of Neglect;
  - Ofsted Monitoring Inspections of every Children's Home.;
  - Governance review of Council owned companies;
  - LGA Budget Peer Review;
  - Peer Review of Internal Audit services compliance with Public Sector Standards; and
  - Future State Assessment of ICT provision.

- ✓ A review of corporate equalities practise has been initiated.

  (The Corporate peer challenge that was scheduled for 2017 and postponed will now occur in Autumn 2018.)

- ✓ The work of the Urban Design and Place Shaping Teams is reviewed and challenged by external agencies such as Historic England, the Civic Society for consistency of advice and championing of good design and has been further enhanced by improving the regularity of scrutiny by the Bristol Urban Design Forum.

IMPROVEMENTS MADE IN 2017/18

- ✓ A diagnostic of Children and Adult Services was undertaken which translated into improvement plans for the services, which has included promoting improvement through the benchmarking of regional services.
- ✓ Appointment of an Independent Chair for the Strengthening Families Transformation Board to drive challenge and support in the process of transformation.
- ✓ The Council was one of only 13 local authorities in the country to secure "Earned Autonomy" status in the management of the Troubled Families Programme. This will secure additional troubled families payments to spur faster service transformation and drive high quality support to families.
- ✓ BSI accreditation has been achieved in respect of complaints handling
- ✓ There have been improvements in financial monitoring arrangements that have enabled remedial action to be taken within the year.
- ✓ There has been an increased profile of Audit across the organisation achieve by attendance and Directorate Management teams and regular meeting with management and the Implementation of audit recommendation has also shown improvement.
- ✓ Following the identification of concerns in-year, the decision pathway was reviewed towards the end of the financial year.
- ✓ There has been improved monitoring of the performance of the companies by the Council's Shareholder Group.

Significant Governance Issues
(see key below for definition)

No systems of control can provide absolute assurance against material misstatement or loss. In concluding this review a number of issues have been identified that need to be addressed to ensure continuous improvement in the governance framework. Some of these, identified below, are significant and, where necessary, additional improvements have been identified in a separate internally monitored action plan.

In the 2016/17 Annual Governance Statement, 14 significant governance issues were identified for improvement. These were monitored by 22 key actions and reported regularly to the Audit Committee in 2017/18.

As at March 2018, it was reported to the Audit Committee that 23% of actions were complete and that 77% of actions were in progress.

The following represent the significant governance issues for 2017/18 and where a similar issue was reported in 2016/17, it is referred to accordingly.

Issue No.	Issue Identified
1	The Local Government and Social Care Ombudsman report into the treatment of a homeless family identified a number of recommendations to be addressed. This report was considered by Cabinet in May 18 with a further detailed action plan to be considered at a future Cabinet meeting, date to be confirmed.
2	The Multi-Agency review following the death of Mr Bijan Ebrahimi identified recommendations for the Council which require ongoing monitoring.
3	There is a need to enhance the support of the integration of health and social care by ensuring effective governance is in place in relation to delayed transfers of care.
4	A detailed review is required and plan developed which supports schools to deliver a good or improved level of education within a reduced funding envelope.
5	The Future State Assessment of ICT within the Council has recognised the need to stabilise ICT and ensure it supports transformation going forward. This should include reviewing disaster recovery arrangements.
6	Having a strong business led digital vision and strategy for the organisation will support service change and drive the organisation to delivery to citizen expectations with regards to the digitisation of services.
7	Arrangements for the Council's approach to working in partnerships have been set up with varying levels of formality. Governance and risk management arrangements are inconsistent in the absence of clearly defined governing principles. (This was reported in the 2016/17 AGS).
8	Risk Management processes need to be consistently applied in order to embed risk management across the Council. (This was reported in the 2016/17 AGS).

9	There has been significant slippage in delivery of key capital projects in line with the agreed capital programme. (This was reported in the 2016/17 AGS)
10	Audit reviews and responses in the Assurance Statements identified weaknesses in the consistency of contract management arrangements and also the use of contract waivers continues to be high and reflects the need for improved contract planning have been identified by both. (This was reported in the 2016/17 AGS)
11	It has been identified that there is a need for the member development programme to focus on members' core skills, community leadership and decision making roles. (This was reported in the 2016/17 AGS).
12	Performance management of our employees has been inconsistent with only 42% having registered completed performance reviews. (This was reported in the 2016/17 AGS)

Actions taken to address these Significant Governance Issues will be reported to the Audit Committee in 2018/19.

Key – Significant Governance Criteria:

The criteria for "significant governance" are issues/ areas which:

- Seriously prejudiced or prevented achievement of a principle objective;
- Resulted in the need to seek additional funding to allow it to be resolved;
- Required a significant diversion of resources;
- Had a material impact on the accounts;
- Resulted in significant public interest or has seriously damaged reputation;
- Resulted in formal actions being taken by the Chief Financial Officer or Monitoring Officer;
- Received significant adverse commentary in external inspection reports that has not been able to be addressed in a timely manner.

Statement of Commitment

Good governance is about running things properly. It is the means by which the Council shows it is taking decisions for the good of the people of Bristol, in an inclusive and open way. It requires standards of behaviour that support good decision making, collective responsibility, individual integrity, openness and honesty. It is fundamental to showing public money is well spent and without good governance the Council will struggle to improve services.

From the review, self-assessments, work undertaken and on-going monitoring supported by the work of Internal Audit, we have reached the opinion that a number of key systems are not operating soundly and that there remains a need for improvement.

An action plan has been outlined in this report which takes steps to address the need for improvements that has been identified in our review of effectiveness. However as part of our commitment to further strengthen governance, local accountability and to explore how effectively we are delivering services, the Council will take part in a Corporate Peer Challenge in September 2018 organised by the Local Government Association.

This was originally scheduled for 2017 but was postponed due to the Grenfell Tower tragedy. This provides us with an invaluable opportunity to provide an external perspective and 'baseline' for the Council in terms of our current position. Furthermore, the challenge will explore how the Council can best achieve its strategic ambitions and plans for the future and use the organisational values as key references points to guide the teams work.

We are satisfied that these steps will address the need for improvements and strengthen the governance arrangements in place for identifying governance issues and taking mitigating action. We will monitor their implementation and operation over the coming year through the Corporate Risk Register, Directorate Service and operational plans as required and Statutory Policy Board. In addition during the year the Audit Committee will monitor progress against the issues identified in this statement.

Statutory Recommendation issued 11 March 2019

Subsequent to the publication of the draft Statement of Accounts and the Annual Governance Statement the Council's external auditors, as part of their review of Use of Resources, identified a further governance issue relating to a number of areas of weakness relating to severance payments for senior officers, including the absence of policy or guidance on severance payments and unclear approval requirements. These findings formed the basis of statutory recommendations made under section 24 of the Local Audit and Accountability Act 2014, issued to the Council on 11 March 2019. The Council accepted the recommendations made in the external auditor's report and approved an action plan in response to those recommendations at a meeting of the Full Council on 19 March 2019. The report and minutes are available at Full Council Reports and Minutes 19 March 2019

Signed:…………………………………………… **Signed:……………………………………………**

Denise Murray Shahzia Daya

Chief Finance Officer (S151 Officer) **Monitoring Officer**

Signed:…………………………………………… **Signed:……………………………………………**

Jacqui Jensen Marvin Rees

Acting Head of Paid Service **Elected Mayor of Bristol**

Dated: 11 July 2018

Signed:……………………………….. **Signed:…………………………….**

Mike Jackson Marvin Rees

Head of Paid Service **Elected Mayor of Bristol**

Dated 14th May 2019 following issue of Statutory Notice and approval of the External Auditors report to Full Council on 19 March 2019

Core Statements

Comprehensive Income and Expenditure Statement for the year ended 31 March 2018

2016/17 Gross Exp £'000	2016/17 Gross Income £'000	2016/17 Net Exp £'000		2017/18 Gross Exp £'000	2017/18 Gross Income £'000	2017/18 Net Exp £'000
535,729	(298,911)	236,818	People	529,295	(313,288)	216,007
63,618	(7,935)	55,683	Resources & City Director	50,457	(7,077)	43,380
322,926	(248,880)	74,046	Neighbourhoods	317,758	(248,324)	69,434
119,487	(68,064)	51,423	Place	108,571	(65,829)	42,742
(22,592)	(123,212)	(145,804)	Housing Revenue Account	92,872	(121,351)	(28,479)
7,523	(2,480)	5,043	Corporate Funding & Expenditure	(5,099)	(541)	(5,640)
1,026,691	**(749,482)**	**277,209**	**Cost of services**	**1,093,854**	**(756,410)**	**337,444**
		(1,680)	Other operating expenditure (Note 9)			30,180
		20,871	Financing and investment income and expenditure (Note 10)			39,377
		(409,456)	Taxation and non-specific grant income (Note 11)			(393,731)
		(113,056)	**(Surplus) or Deficit on provision of services**			**13,270**
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision on Services			
		(227,585)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets (Note 20)			(233,641)
		191,904	Remeasurement of the net defined benefit liability\asset (Note 33)			(87,543)
			Items that may be reclassified to the (Surplus) or Deficit on the Provision on Services			
		4,281	(Surplus)or deficit on revaluation of available for sale financial assets (Notes 23)			(7,994)
		(31,400)	Other comprehensive income and expenditure			(329,178)
		(144,456)	**Total comprehensive income and expenditure**			**(315,908)**

Movement in Reserves Statement for the year ended 31 March 2018

	Note	General Fund Balance	GF Earmarked Reserves excluding Schools	School Reserves	Total General Fund	Housing Revenue Account	Housing Revenue Account Earmark Reserves	Capital Receipts	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves (Note 32) Restated	Total Council Reserves Restated
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2016 Carried Forward		20,000	105,978	13,603	**139,581**	49,437	12,317	39,798	1,822	1,232	**244,187**	**967,814**	**1,212,001**
Movement in Reserves during 2016/17													
Surplus/(Deficit) on the provision of services		(26,534)	-	-	**(26,534)**	139,590	-	-	-	-	**113,056**	**-**	**113,056**
Other Comprehensive Expenditure and Income		-	-	-	**-**	-	-	-	-	-	**-**	**31,400**	**31,400**
Total Comprehensive Expenditure and Income		(26,534)	-	-	**(26,534)**	139,590	-	-	-	-	**113,056**	**31,400**	**144,456**
Adjustments between accounting basis and funding basis under regulations	Note 18	(22,142)	-	-	**(22,142)**	(138,317)	-	5,911	(1,822)	2,108	**(154,262)**	**154,262**	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves		(48,676)	-	-	**(48,676)**	1,273	-	5,911	(1,822)	2,108	**(41,206)**	**185,662**	**144,456**
Transfers to/from Earmarked Reserves	Note 19	48,676	(40,532)	(8,144)	**-**	3,527	(3,527)	-	-	-	**-**	**-**	**-**
Increase/Decrease in 2016/17		-	(40,532)	(8,144)	**(48,676)**	4,800	(3,527)	5,911	(1,822)	2,108	**(41,206)**	**185,662**	**144,456**
Balance at 31 March 2017 Carried Forward		20,000	65,446	5,459	**90,905**	54,237	8,790	45,709	-	3,340	**202,981**	**1,153,476**	**1,356,457**
Movement in Reserves during 2017/18													
Surplus/(Deficit) on the provision of services		(38,767)	-	-	**(38,767)**	25,497	-	-	-	-	**(13,270)**	**-**	**(13,270)**
Other Comprehensive Expenditure and Income		-	-	-	**-**	-	-	-	-	-	**-**	**329,178**	**329,178**
Total Comprehensive Expenditure and Income		**(38,767)**	**-**	**-**	**(38,767)**	**25,497**	**-**	**-**	**-**	**-**	**(13,270)**	**329,178**	**315,908**
Adjustments between accounting basis and funding basis under regulations	Note 18	62,044	-	-	**62,044**	(9,910)	-	17,763	1,225	(336)	**70,786**	**(70,786)**	**-**
Net Increase/(Decrease) before Transfers to Earmarked Reserves		**23,277**	**-**	**-**	**23,277**	**15,587**	**-**	**17,763**	**1,225**	**(336)**	**57,516**	**258,392**	**315,908**
Transfers to/(from) Earmarked Reserves	Note 19	(23,277)	21,975	1,302	**-**	1,445	(1,445)	-	-	-	**-**	**-**	**-**
Increase/(Decrease) in 2017/18		**-**	**21,975**	**1,302**	**23,277**	**17,032**	**(1,445)**	**17,763**	**1,225**	**(336)**	**57,516**	**258,392**	**315,908**
Balance at 31 March 2018 Carried Forward		**20,000**	**87,421**	**6,761**	**114,182**	**71,269**	**7,345**	**63,472**	**1,225**	**3,004**	**260,497**	**1,411,868**	**1,672,365**

Balance Sheet as at 31 March 2018

31 March 2016 Restated £'000	31 March 2017 Restated £'000		Note	31 March 2018 £'000
844,892	915,524	Property, plant and equipment	20	964,224
1,124,462	1,477,193	Council dwellings	20	1,656,465
198,851	198,851	Heritage assets	21	201,094
9,319	10,040	Intangible assets		10,259
240,328	253,976	Investment properties	22	255,415
5,046	14,960	Long-term investments	23	23,212
62,752	54,646	Long-term debtors	28	46,573
2,485,650	**2,925,190**	**Long-term assets**		**3,157,242**
118,668	33,180	Short-term investments	23	25,132
1,282	1,649	Inventories		1,633
107,639	110,742	Short-term debtors	28	113,986
23,246	29,142	Cash and Cash Equivalents	29	25,263
-	-	Assets held for sale		1,539
250,835	**174,713**	**Current assets**		**167,553**
(7,004)	(7,769)	Short-term borrowing	23	(4,997)
(130,211)	(145,085)	Short-term creditors	30	(129,799)
(5,438)	(2,384)	Provisions	31	(4,188)
(42,976	(11,839)	Capital grants received in advance	17	(26,057)
(185,629)	**(167,077)**	**Current liabilities**		**(165,041)**
(414,289)	(430,489)	Long-term borrowing	23	(430,489)
(8,837)	(12,044)	Provisions	31	(24,637)
(902,207)	(1,122,428)	Other long-term liabilities	30	(1,025,544)
(13,972)	(11,408)	Capital grants received in advance	17	(6,719)
(1,338,855)	**(1,576,369)**	**Long-term liabilities**		**(1,487,389)**
1,212,001	**1,356,457**	**Net assets**		**1,672,365**
(244,187)	(202,981)	Usable reserves	19	(260,497)
(967,814)	(1,153,476)	Unusable reserves	32	(1,411,868)
(1,212,001)	**(1,356,457)**	**Total reserves**		**(1,672,365)**

Cash Flow Statement for the year ended 31 March 2018

2016/17			2017/18
£'000		Note	£'000
113,056	Net surplus on the provision of services		(13,270)
(23,097)	Adjustment to net surplus on the provision of services for non-cash movements	34	120,032
(86,571)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	34	(75,184)
3,388	Net cash flows from Operating Activities		31,578
(18,215)	Investing Activities	35	(7,227)
20,723	Financing Activities	36	(28,230)
5,896	Net increase (decrease) in Cash and Cash Equivalents		(3,879)
23,246	Cash and Cash Equivalents at the beginning of the reporting period	29	29,142
29,142	**Cash and Cash Equivalents at the end of the reporting period**		**25,263**

Notes to the Accounts

1 Accounting Policies

i General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which require the accounts 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 2017/18 (the Code) and the CIPFA Service Reporting Code of Practice (SeRCOP) for Local Authorities 2017/18, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Statement of Accounts has been prepared on a 'going concern' basis.

Prior Year Adjustment - Heritage Assets

During 2017/18 the City Council's insurance provider carried out an in-depth review of heritage assets held in the Council's museum collections. This has resulted in a significant increase in the valuation of these assets, in such instances where a reliable replacement cost could now be determined.

This results in an increase in value of £98m. It has been determined that this related to assets held by the Council prior to 1 April 2016. There were no further acquisitions or changes in value during 2016/17. During 2017/18 there were further revaluations to the collection resulting in a further increase in value of £2m.

These changes have been reflected in the accounts including a restatement of the balance sheet for 2016/17 and the inclusion of a restated balance sheet for 2015/16. Full details of these adjustments can be found in note 21 to the accounts.

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 Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption; they are carried as 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 are readily convertible to known amounts of cash with low risk of change in value.

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

iv 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 non-current 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.

v Collection Fund and Local Taxation

Bristol City Council is a billing authority for local taxation and collects:

- Council Tax on behalf of the Avon and Somerset Police and Crime Commissioner, Avon Fire Authority and itself; and
- Non Domestic Rates on behalf of Avon Fire Authority, the West of England Combined Authority (WECA) and itself.

The Collection Fund Statement is an agent's statement which reflects the statutory obligation for billing authorities to maintain a separate Collection Fund which accounts for all local taxation collected and its re-distribution. The Council Tax income included in the Comprehensive Income and Expenditure Statement is the Council's own share of the Collections Fund's accrued income for the year.

Bristol City, Bath and North East Somerset, North Somerset and South Gloucestershire Councils participate in "City Region Deal", a Business Rates Retention Scheme introduced by the Government in April 2013. This scheme permits the participating local authorities to retain 100% of the growth in business rates collected across designated Enterprise Areas, this income is then used to fund approved economic development programmes. The Council applies the principals of International Public Sector Accounting Standard 23: Revenue from non-exchange transactions in accounting for the transactions and balances relating to City Region Deal.

vi Employee Benefits

Benefits Payable During Employment

Monetary benefits such as wages and salaries, paid leave and bonuses, and non-monetary benefits (e.g. cars) for current employees are recognised as an expense in the year in which employees render service to the Council. An accrual is made to represent the cost of holiday entitlement earned but not taken at each year end, to meet Code and IAS requirements.

Termination Benefits

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the Pension Fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement 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 Council are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education.
- The Local Government Pension Scheme, administered by Bath and North East Somerset Council.
- The NHS Pension Scheme, for Public Health employees, administered by NHS Pensions.

All of the above schemes provide defined benefits to members e.g. retirement lump sums and pensions, earned as employees working for the Council.

However, the arrangements for the Teachers' scheme and NHS Scheme mean that liabilities for these benefits cannot ordinarily be identified for the Council. These schemes are therefore accounted for as if they were defined contributions schemes and no liability for future payments of benefits is recognised in the Balance Sheet. The CIES is charged with the employer’s contributions payable to Teaches pensions and NHS pensions in the year.

The Local Government Pension Scheme

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

The liabilities of the Avon Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees. Liabilities are measured on an actuarial basis discounted to present value, using the projected unit method. The discount rate to be used is determined in reference to market yields at balance sheet date of high quality corporate bonds.

The assets of Avon Pension Fund attributable to the Council 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 pension liability of the Council is analysed into the following 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.
- Net interest on the net defined benefit liability/asset, i.e. net interest expense for the authority – the change during the period in the net defined benefit liability/asset that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability/asset at the beginning of the period, taking into account any changes in the net defined benefit liability/asset during the period as a result of contribution and benefit payments.
- Re-measurement of the return on plan assets – excluding amounts included in net interest on the net defined benefit liability/asset, charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses - changes in the net pension's liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These changes are debited to the Pensions Reserve as Other Income and Expenditure.
- Contributions paid to the Avon Pension Fund - cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and 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 earned by- employees.

Discretionary Benefits

The Council has restricted powers to provide discretionary post-employment benefits. Any such benefits are accrued for in the year of the decision to make the award and are charged to the Comprehensive Income and Expenditure Statement against the service in which the employees worked.

vii Events After The Reporting Period

Events after the balance sheet date are those events, both favourable and unfavourable, which 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. In this instance, the Statement of Accounts is adjusted to reflect such events.
- Those relating to conditions that arose after the reporting period. In this instance, 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 when the Statement of Accounts is authorised for issue are not reflected in the Statement of Accounts.

viii Fair Value

The Council holds some of its assets, such as surplus property and assets held for sale, at fair value in accordance with IFRS 13 Fair Value Measurement, and the requirements of the Code. Fair value is the highest or best price that can be obtained in the principal or most advantageous market, in an orderly transaction between knowledgeable participants acting in their economic best interest at the measurement date. When measuring fair value the characteristics of the asset or liability are taken into account such as the location or any restrictions on use. The Council uses appropriate valuation techniques for each asset, maximising the use of relevant known data and minimising the use of estimates or unknowns. Valuation techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date;
- Level 2 inputs – inputs other than quoted prices that are observable for the asset, either directly or indirectly (for example an independent valuation based on the prices of similar but not identical assets);
- Level 3 inputs – unobservable inputs for the asset (for example discounted cash flow estimation).

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

ix Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. For the borrowings that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest). As 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 Council’s borrowings this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest). Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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.

The valuation applied to fixed term cash deposits is their carrying value, as these assets cannot be sold and hence there is no market valuation.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They are initially measured at fair value and 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 that particular instrument. For most of the loans which the Council has made, 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 in the year is the amount which the loan agreement identified as receivable.

Where assets are identified as impaired because of a past event and there is a likelihood 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.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council 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 Council.

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 – the net worth of the company valued on a going concern basis.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain or 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 de-recognition 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 Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant 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.

xi Heritage Assets

The Council's Heritage Assets are predominantly on display in museum buildings and galleries in the city, held in storage or loaned out to other educational or cultural organisations. The Bristol museums and art galleries are home to a significant number of objects from all over the world which are held to support the primary objective of increasing the knowledge, understanding and appreciation of history and culture through the following:

- Art, Eastern art and applied art;
- Archaeology, Ethnography and foreign archaeology including Egyptology and Geology;
- Natural history, social history, industrial and maritime history.

These assets are all valued on a historic cost basis or an annual insurance valuation basis.

The Council holds numerous ancient monuments and statues which are not recognised on the Balance Sheet because of the diverse and often unique nature of the assets held and the lack of comparable market values.

There is no depreciation charge against heritage assets because it is estimated that the assets have an extended and indeterminate useful life such that any depreciation charge would be negligible. The carrying values of Heritage Assets are reviewed when there is evidence of impairments e.g. when an asset has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any reductions to the carrying value of the assets are recognised and measured in accordance with the Council's general policy on impairments.

xii Interests in Companies and Other Entities

(a) Subsidiaries

Subsidiaries are all entities over which the Council has control. The Council controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Council's material subsidiaries are Bristol Holding Limited (which is directly held) and Bristol Waste Company Limited and Bristol Energy and Technology Services (supply) Limited (which are both indirectly held). There are no non-controlling interests.

In the single entity accounts, the Council has opted to account for its investments in subsidiaries in accordance with Chapter 7 of the Code, Financial Instruments. The investments are accordingly classified as Available for Sale Financial Assets and are carried in the Balance Sheet at fair value. Changes in the fair value of the Council's investments in subsidiaries are recognised in Other Comprehensive Income. Impairments are recognised directly in the Surplus/Deficit on the Provision of Services.

In the group accounts, the subsidiaries are consolidated on a line by line basis with adjustments to eliminate intra-group transactions, balance and unrealised gains on transactions between the group entities. Where necessary, amounts reported by subsidiaries have been adjusted to conform to the Council's accounting policies.

b) Joint Arrangements

A Joint Arrangement is an arrangement of which two or more parties have joint control where the parties are bound by contractual arrangement and the contractual arrangement gives two or more of those parties joint control of the arrangement. Joint Arrangements are classified as Joint Ventures or Joint Operations.

The Council has no material Joint Ventures.

A Joint Operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Council has one Joint Operation being the West of England Local Enterprise Partnership. In respect of this, the Council accounts for:

- Its assets, including its share of any assets jointly held

- Its liabilities, including its share of any liabilities joint held

- Its revenue from the sale of its share of the output arising from the joint operation

- Its share of the revenue from the sale of the output by the joint operation

- Its expenses, including its share of any expenses incurred jointly.

xiii Investment Property

Investment properties are those that are used solely to earn rental income and/or for capital appreciation. The definition does not apply 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 highest or best price that can be obtained in the most advantageous market, in an arms' length transaction between knowledgeable participants at the measurement date". Investment Properties are not depreciated but are revalued annually according to market conditions at the year-end

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

Rental Income received in relation to investment properties is 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.

xiv Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all of 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 Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at 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 Council 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 Council at the end of the lease period).

The Council 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 benefitting 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. if there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

To date the Council has not granted any Finance Leases.

Operating Leases

Where the Council 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. if 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.

xv Minimum Revenue Provision (MRP)

The Council is not required to use Council Tax to fund depreciation, revaluation and impairment losses or amortisation of non-current assets. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to either an amount calculated on a prudent basis or as determined by the Council in accordance with statutory guidance. The basis for this provision was approved by Full Council in the 2017-18 budget report on the 21 February 2017.

xvi Overheads And Support Services

The Council operates and manages its support services within the Resources Directorate and this is how these services are reported to management. The costs of overheads and support services are therefore not re-apportioned (with the exception of ring fenced accounts such as the HRA, Public Health and Licencing).

xvii Prior Period Adjustments

Prior period adjustments arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are only accounted for prospectively i.e. in the current and future years which are affected by the changes, they 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 Council’s financial position or financial performance. Where a change in accounting policy is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances for the current year and comparative amounts for the prior period as if the new policy had always been applied.

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

xviii Service Concessions

Service concessions are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the contractor. As the Council is deemed to control the services that are provided under these schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council 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) is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets related to these contracts and recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the contract operator are analysed into the following elements:

- Fair value of any services received during the year;
- Finance cost - an interest charge of the effective rate of interest on the outstanding Balance Sheet liability;
- Contingent rent payable under the agreement;
- Lifecycle replacement costs where applicable;
- Payment towards liability - applied to write down the Balance Sheet liability to the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).

xix 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

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 Council and the cost of the item can be measured reliably. Capital schemes above £0.2m are subject to annual review and any expenditure incurred which has not enhanced the asset's value is charged as an expense in the financial year that it is incurred. Expenditure on capital assets totalling less than £20,000 in any single financial year is classed as de-minimis and therefore is not capitalised but charged as an expense.

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). 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 Council.

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);
- Surplus assets – the current value measurement base is fair value, defined as "the highest or best price that can be obtained in the most advantageous market, in an arms' length transaction between knowledgeable participants at the measurement date";
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of 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.

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. 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.

When decreases in value are identified, they are accounted for in the same way as an impairment.

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

Impairment

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

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.
- Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for the 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, car parks, quay walls and lock gates, some Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Council dwellings - are depreciated based upon component accounting basis. In the year of disposal a full year's depreciation is charged to the accounts and nothing in the year of acquisition;
- Other buildings - straight-line allocation over the useful life of the property as estimated by a qualified valuer;
- Vehicles, plant and equipment - a percentage of the value of each class of assets in the Balance Sheet;
- Infrastructure, (excluding quay walls and lock gates) - straight-line allocation over 25 years;
- infrastructure, quay walls and lock gates in city docks are not depreciated as their economic life is beyond 100 years.

The Council applies component accounting to all assets with a net book value in excess of £5m - where the item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, identified components are depreciated separately.

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

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.

When an asset is disposed of or is 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 in excess of £10k are categorised as capital receipts. A proportion of receipts relating to housing disposals 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 HRA'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.

xx Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place whereby the Council has 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 Council 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 Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the relevant provision. 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.

Contingent Liabilities
A contingent liability arises where an event has taken place that gives the Council 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 Council. 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 are disclosed in a note to the accounts.

Contingent Assets
A contingent asset arises where an event has taken place that gives the Council 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 Council. Contingent assets are not recognised in the Balance Sheet but are disclosed in a note to the accounts.

xxi Reserves

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

The category of unusable reserves includes those reserves which 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 Council. These reserves are explained in the relevant notes.

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 Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account reverses out the amounts charged so that there is no impact on the level of council tax.

xxiii Schools

The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

xxiv Value Added Tax

The Comprehensive Income and Expenditure Account excludes amounts relating to VAT and will be included as an expense only if it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income within the Council's Income and Expenditure account.

xxv City Region Deal

The Council has applied the principles of IPSAS 23 'Revenue from non-Exchange transactions (Taxes and Transfers)' in accounting for the transactions and balances relating to the City Region Deal.

Growth paid to the accountable body (South Gloucestershire Council) for the Business Rates Pool (BRP) is recognised by the Council as a debtor until such point that the funds are paid out by the BRP or committed by the Economic Development Fund (EDF) to fund future EDF payments in respect of approved programmes.

- Income - Income receivable by the Council from the BRP is recognised as revenue in the year in which it occurs. The council recognises revenue and a debtor balance to the extent that future EDF disbursements are to be received, have been committed to by the EDF, and sufficient uncommitted cash remains in the BRP to fund future payments.

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

2 Accounting Standards that have been Issued but have not yet been adopted

The Code of Practice on Local Council Accounting in the United Kingdom (the Code) requires the Council to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. There are three such standards, IFRS 9 relating to financial instruments, IFRS 15 relating to revenue from contracts with customers and IFRS 16 relating to the treatment of leases. There is no impact on the 2017/18 accounts. IFRS 9 and 15 will impact on the accounts for 2018/19. IFRS 16 will not impact until 2019/20 and adoption and adaptations by the public sector are not yet clear.

IFRS 9 – Financial Instruments. The main changes involve the classification and measurement of financial assets and the application of a new "expected credit loss" model for impairment.. The Council is currently carrying out an assessment as to how IFRS 9 will impact on existing accounting treatment, with particular regard to the valuation of the Council's shareholding in Bristol Port Company. Indications are that adoption of IFRS 9 will have a material impact on the valuation of this investment in our accounts. Impairment charges will be immaterial for its treasury management assets (e.g. bank deposits and bonds) and it already makes a provision for doubtful debts on its service assets, e.g. trade debtors.

IFRS 15 – Revenue from Contracts with Customers excludes council tax and business rates, and is not applicable where other standards apply, for example, in the case of leases, financial instruments or insurance contracts. The Council does not anticipate any material impact on the Council's single entity financial statements; however consideration will need to be given to the likely impact on our group accounts.

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 Council has completed a school by school assessment across the different types of school it controls within the City. Judgements have been made to determine the arrangements in place and the accounting treatment of the non-current assets.

  All community schools are owned by the Council and the land and buildings used by the schools are included on the Council's Balance Sheet.

  Legal ownership of Voluntary Controlled (VC) and Voluntary Aided (VA) school land and buildings usually rests with a charity, normally by a religious body. Legal ownership of 10 VA schools rests with Clifton Diocese. Legal ownership of the remaining VA and VC schools rests with Bristol Diocese. We understand that the Diocese have granted a licence to the schools to use the land and buildings. Under this licence arrangement, the rights of use have not transferred to the schools and thus are not included on the Council's Balance Sheet.

  There are three Foundation Trusts in Bristol - the South East Bristol Educational Trust, the South West Bristol Co-operative Learning Trust and Trust in Learning – who own 7 schools in the City. With regard to the South West Bristol Co-operative Learning Trust, the school governing body's can exercise control over the school premise's and must consent to any development, improvement, letting or disposal of the School's property. Accordingly the land and buildings are included in Council's Balance sheet. For the remaining Foundation Trust schools, no such control exists and so these assets are not included on the Council's Balance Sheet.

  Academies are not considered to be maintained schools in the Councils control. The land and building assets are either, not owned by the Council, or let on a long term lease (125 years) by the Council and therefore not included on the Council's Balance Sheet.

- There is a high degree of uncertainty about future levels of funding for Local Government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

- In April 2017, the Council made a payment of £44.2m to the Avon Pension Fund in respect of the 2017/18, 2018/19 and 2019/20 pension deficit. This figure was provided by the Pension fund and included a saving to the Council for making the payment early. The payment to the pension fund has been accounted for as a balance sheet entry that reduces the net defined benefit liability (as reflected in the actuaries report). In accordance with regulatory requirements, the revenue account has been charged with the amount payable for the year, as a movement in reserves in the Movement in Reserves Statement (MiRS).

- The costs of the Schools Private Finance Initiative (PFI) Contracts exceed the income received from the Government Grant and School Contributions, leaving the Council with a liability under the PFI Contracts. All PFI Schools have now transferred to Academy status and these assets have been removed from the Council's balance sheet. Following a review of the costs and benefits, the Council considers the contract not to be onerous as the benefits significantly outweigh the costs.

- The Council's shareholding in Bristol Port Company Ltd is carried at cost of £2.5m and not at Fair Value which is the generally expected treatment for an equity investment. The Council has explored various valuation techniques including Market Approach, Income Approach, and Adjusted Net Asset Method but has been unable to calculate a reliable fair value which could be received on the sale of the asset in an orderly transaction between market participants at the measurement date.

- The Council has valued its interests in its subsidiaries in line with the 2017/18 Cipfa Accounting Code of Practice on Local Authority Accounting in the United Kingdom (the Code), namely the investments are accordingly classified as Available for Sale Financial Assets and are carried in the Balance Sheet at fair value. Changes in the fair value of the Council's investments in subsidiaries are recognised in Other Comprehensive Income. Impairments are recognised directly in the Surplus/Deficit on the Provision of Services.

- For inclusion in the Council accounts we have taken the view that it is appropriate to value the companies within the group using different methodologies, reflecting the diverse nature of those businesses. Bristol Holding Limited and Bristol Waste Company have been valued on a net asset basis as recorded in the company's individual balance sheets as at 31 March 2018. Bristol Energy has been valued at cost with an impairment to bring back to a fair value in the accounts. The fair value has been calculated using an estimated base price per customer should the company be sold on the open market.

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 Council 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 Council's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Consequence if actual results differ from assumptions
Property, Plant and Equipment (excluding Council dwellings)	Asset valuations are based on market prices and are periodically re-valued using a 5-year rolling programme to ensure that the Council does not materially misstate its property, plant and equipment. If market prices change significantly, over time there will be a corresponding increase or reduction in the value of Council land and buildings.	A reduction in estimated valuations would result in reductions to the Revaluation Reserve and/or a loss recorded in the Comprehensive Income and Expenditure Statement. If the value of the Council's property, plant and equipment was to reduce by say 10%, this would result in a £96m change in cost value charged against the Revaluation Reserve and/or the Comprehensive Income and Expenditure Statement. A corresponding increase in estimated valuations would result in a combination of increases to the Revaluation Reserve and / or reversals of previous negative revaluations charged to the Comprehensive Income and Expenditure Statement.

Item	Uncertainties	Consequence if actual results differ from assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to: the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund investments. The Council has engaged Mercer Ltd, a firm of consulting actuaries, to provide expert advice about the assumptions to be applied.	Variations in the key assumptions will have the following impact on the net pension liability • a 0.1% increase in the discount rate will reduce the net pension liability by £42m • a 0.1% increase in the assumed level of pension increases will increase the net pension liability by £5.5m • a 0.1% increase in the assumed level of pay inflation will increase the net pension liability by £43m • an increase of one year in longevity will increase the net pension liability by £47m
Business Rates	Following the introduction on 1 April 2017 of 100% business rates pilots, the Council along with those of South Gloucestershire and B&NES formed the West of England pilot. This increases the effect of volatility, particularly in relation to business rates appeals. Under the pilot the Council is liable for successful appeals against business rates charged since 2010 rating list A provision has been recognised for this potential liability based on best available information, including Valuation Office (VOA) ratings appeals lists, and an analysis of successful appeals to date.	The Council's provision for rating appeals is £24m at the year end. Any understatement or overstatement of this liability would lead to a future adjustment charged to the Collection Fund in the year of recognition.
Fair Value Estimation	Asset valuations are based on either: • market prices for investment property, surplus assets and non-current assets held for sale: or • the adjusted net worth of unquoted companies in which the Council has a controlling or significant interest. If valuations change significantly there will be a corresponding increase or reduction in the Balance Sheet value of these assets.	If the value of the Council's investment property, surplus property and non-current assets held for sale, was to reduce by 10%, this would result in a £30m reduction to Property, Plant and Equipment and a corresponding reduction to Unusable Reserves in the Balance Sheet.
Provision for doubtful debts	As at 31 March 2018, the Council had an outstanding balance on short term debtors of £164m. A provision for bad and doubtful debts totalling £50m has been made against this amount following a review of the aged debt analysis and significant individual balances at the year end, taking account of the nature of the debt and previous success in collection.	An understatement of doubtful debts would lead to future adjustment and a corresponding impairment charged against the relevant service cost. Any significant deterioration in collection rates would lead the Council to review this calculation and increase its bad debt provision.

5 Material Items of Income and Expense

There are no material items of income and expenditure that are not disclosed elsewhere within the Statement of Accounts.

6 Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Section 151 Officer on xx May 2019. Events taking place after this date are not reflected in the financial statements or Notes. However there have been a number of events since the 31 March 2018 up to the date the accounts were authorised for issue by the S151 Officer. The primary statements have not been adjusted for these however details are set out below.

- During the period since 31 March 2018 nine schools have converted to academies. The total value of these assets as at 31 March 2018 was £17.5m.

- In respect of Bristol Arena, the Council has determined that expenditure incurred on the Arena Island site, prior to Cabinet agreeing not to progress the project, cannot be financed through capital resources and has been reverted to revenue during 2018/19. See note 20 for further details.

- The Council is aware of a number of court rulings which may have an impact on the Local Government Pension Scheme and therefore the liability incurred by the Council.

  The Court of Appeal has recently made judgements regarding age discrimination arising from public sector pension scheme transition arrangements. Although these specifically relate to Judges pensions (McCloud) and Firefighters pensions (Sergeant), any judgements and appeals may ultimately affect local government pension schemes.

  A further High Court judgment confirmed the need to improve benefits to make allowance for the inequality between males and females in Guaranteed Minimum Pensions (GMPs) – known as GMP equalisation.

  These decisions may have an impact on employer pension liabilities, however the impact is currently unclear. Timescales for a resolution of these matters are unclear and it is currently not possible to estimate any financial impact on the Council. However the Council is in discussion with the Avon Pension Fund and awaits further updates.

7 Expenditure and Funding Analysis for the year ended 31 March 2018

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the authority (ie government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	Revised Outturn	Adjustments EFA (Note 1)	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments for Capital Purposes EFA (Note 2)	Net change for the Pension Adjustments EFA (Note 3)	Other Differences EFA (Note 4)	Total Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
				Adjustments between the Funding and Accounting basis				
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
People inc DSG	196,385	(644)	**195,741**	14,000	6,266	-	**20,266**	**216,007**
Resources & City Director	33,693	-	**33,693**	6,774	2,913	-	**9,687**	**43,380**
Neighbourhoods inc Public Health	60,837	(690)	**60,147**	6,096	3,191	-	**9,287**	**69,434**
Place	12,051	3,206	**15,257**	24,434	3,051	-	**27,485**	**42,742**
Housing Revenue Account	(17,032)	(9,218)	**(26,250)**	(4,558)	2,329	-	**(2,229)**	**(28,479)**
Corporate Funding & Expenditure	57,454	(33,370)	**24,084**	(15,832)	(11,336)	(2,556)	**(29,724)**	**(5,640)**
Net Cost of Services	343,388	(40,716)	**302,672**	**30,914**	**6,414**	**(2,556)**	**34,772**	**337,444**
Other income and expenditure (Notes 9,10,11)			(341,536)	(13,362)	21,374	9,250	17,362	(324,174)
(Surplus) Deficit on the Provision of Services			**(38,864)**				**52,134**	**13,270**
Opening General Fund and HRA Balance			(153,932)					
Less Deficit on General Fund and HRA Balance in Year			(38,864)					
Closing General Fund and HRA Balance at 31 March 2018*			**(192,796)**					

* For a split of this balance between the General Fund and the HRA see movements in Reserves Statement

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	Outturn as reported to Cabinet	Adjustments EFA (Note 1)	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments for Capital Purposes EFA (Note 2)	Net change for the Pension Adjustments EFA (Note 3)	Other Differences EFA (Note 4)	Total Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
People	232,106	(15,646)	**216,460**	25,995	(5,637)	-	**20,358**	**236,818**
Resources & City Director	34,574	16,603	**51,177**	4,965	(459)	-	**4,506**	**55,683**
Neighbourhoods	70,661	(2,908)	**67,753**	6,710	(417)	-	**6,293**	**74,046**
Place	18,797	10,997	**29,794**	21,913	(284)	-	**21,629**	**51,423**
Housing Revenue Account	(52,941)	41,050	**(11,891)**	(133,015)	(757)	(141)	**(133,913)**	**(145,804)**
Corporate Funding & Expenditure	26,297	(2,713)	**23,584**	(24,363)	4,523	1,299	**(18,541)**	**5,043**
Net Cost of Services	**329,494**	**47,383**	**376,877**	**(97,795)**	**(3,031)**	**1,158**	**(99,668)**	**277,209**
Other income and expenditure (Notes 9,10,11)			(329,474)	(78,415)	23,552	(5,928)	(60,791)	(390,265)
(Surplus) Deficit on the Provision of Services			**47,403**				**(160,459)**	**(113,056)**
Opening General Fund and HRA Balance			(201,335)					
Less Deficit on General Fund and HRA Balance in Year			47,403					
Closing General Fund and HRA Balance at 31 March 2017*			**(153,932)**					

* For a split of this balance between the General Fund and the HRA -see movements in Reserves Statement

EFA Note 1 – Adjustments

The reallocation of transactions to/from service areas below the net cost of services to Other Income and Expenditure for example interest receivable and interest payable from Corporate Funding and Expenditure to Other Income and Expenditure. The removal of transfers to/from reserves included in outturn in Corporate Funding & Expenditure as these are not shown on the face of the CIES.

EFA Note 2 - Adjustments for Capital Purposes

Adjustments for capital purposes - this column adds in depreciation, impairment and revaluation gains and losses in the services line for:

- Other Operating Expenditure - adjusts for capital disposals with a transfer of income on disposal of asset and the amounts written off for those assets.

- Financing and investment income and expenditure - the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

- Taxation and non-specific grant income and expenditure - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

EFA Note 3 - Net change for Pension Adjustments

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

- For Services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

- For Financing and investment income and expenditure this is the net interest on the defined benefit liability is charged to the CIES

EFA Note 4 - Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statements and amounts payable/receivable to be recognised under statute:

- For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

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

8 Expenditure & Income Analysed By Nature

Expenditure & Income Analysed By Nature	2017/18 £000	2016/17 £000
Expenditure		
Employee Benefits Expense	345,990	373,988
Depreciation, Amortisation & Impairment	88,091	(53,831)
Other Service Expenditure	773,703	745,509
Total Expenditure	**1,207,784**	**1,069,645**
Income		
Fees, Charges and Other Service Income	(327,471)	(300,852)
Interest & Investment Income	(9,856)	(8,761)
Income from Council Tax & Non-domestic Rates	(346,096)	(274,984)
Government Grants, Other Grants and Contributions	(511,091)	(594,125)
Total Income	**(1,194,514)**	**(1,178,722)**
Surplus or deficit on the Provision of Services	**13,270**	**(113,056)**

9 Other Operating Expenditure

	2017/18 £'000	2016/17 £'000
Precepts and levies	9,993	1,079
Payments to the Government housing capital receipts pool	6,055	2,381
Losses/(gains) on the disposal of non-current assets	14,132	(5,140)
Total	**30,180**	**(1,680)**

10 Financing and Investment Income and Expenditure

	2017/18 £'000	2016/17 £'000
Interest payable and similar charges	47,466	35,258
Pensions net interest cost	21,374	23,551
Interest receivable and similar income	(9,854)	(8,761)
Income and expenditure in relation to Investment Properties	(10,991)	(10,796)
Changes in fair value of Investment Properties	(8,618)	(18,381)
Total	**39,377**	**20,871**

11 Taxation and Non-Specific Grant Income

	2017/18 £'000	2016/17 £'000
Council tax income	(193,555)	(182,328)
Non-domestic rates	(152,541)	(92,656)
Revenue support grant	-	(60,368)
Non-service related government grants	(12,101)	(16,829)
Capital grants and contributions	(35,534)	(57,275)
Total	**(393,731)**	(409,456)

12 Pooled Budgets

Better Care Fund

The Better Care Fund was established by the Government to provide funds to local areas to support the integration of health and social care and to seek to achieve the National Conditions and Local Objectives. It is a requirement of the Better Care Fund that NHS Bristol Clinical Commissioning Group and Bristol City Council establish a pooled fund for this purpose which was achieved in 2017/18 through a jointly signed agreement under Section 75 of the National Health Service Act 2006. The formal governance of the Better Care Fund is through the Joint Commissioning Board and the Bristol Health and Well Being Board.

Under this Section 75 agreement there are five funds totalling £51.424m and administered by whichever body undertook the contracting arrangements.

Fund 1 is administered by Bristol Clinical Commissioning Group and totals £13.037m. The fund includes contributions from the CCG only, which have been paid to providers contracted to support the sub schemes Reduction in Hospitals Admissions, Frail and Complex, Falls Prevention and Reablement. The CCG controls this fund in its entirety and wholly owns any risk relating to this fund as per the Section 75 agreement.

Fund 2 is administered by Bristol City Council and totals £6.796m. The source of funding for this is a mixture of existing CCG expenditure streams with Bristol City Council and the former NHS England funding, previously transferred under Section 256 agreement in 2014/15, which now forms part of the CCGs allocation including funding allocated under Preparing for Better Care £1.06m.

Fund 3 is a joint arrangement hosted by Bristol City Council and totals £19.883m where both the CCG and Bristol City Council contribute towards the sources of funding to create a joint arrangement. The City Council is the Lead Commissioner for the services commissioned through this fund.

Fund 4 is hosted by Bristol City Council and totals £2.651m, which is wholly made up of the Disabled Facilities Grant and £9.055m for the improved Better Care Fund (iBCF). The fund includes contributions from the City Council only, which are paid directly to providers. The City Council controls this fund in its entirety and wholly owns any risk relating to this fund as per the Section 75 agreement.

Fund 5 is hosted by Bristol City Council and totals £9.056m, which is wholly made up of the improved Better Care Fund (iBCF). The fund includes contributions from the City Council only, which are paid directly to providers. The City Council controls this fund in its entirety and wholly owns any risk relating to this fund as per the Section 75 agreement.

Better Care Fund	Fund 1 £'000	Fund 2 £'000	Fund 3 £'000	Fund 4 £'000	Fund 5 £'000	Total £'000
Funding provided to the pooled budget:`						
Bristol CCG	13,037	6,796	9,172	-	-	**29,005**
Bristol City Council	-	-	10,711	2,652	9,056	**22,419**
Total funding into Pooled Budget	**13,037**	**6,796**	**19,883**	**2,652**	**9,056**	**51,424**
Expenditure met from Pooled Budget						
Bristol CCG	13,037	-	-	-	-	**13,037**
Bristol City Council	-	6,796	19,883	2,652	9,056	**38,387**
Total expenditure from Pooled Budget	**13,037**	**6,796**	**19,883**	**2,652**	**9,056**	**51,424**
Net surplus/(deficit) on the pooled budget during the year	**-**	**-**	**-**	**-**	**-**	**-**
Bristol City Council's share of the net surplus/(deficit) arising on the pooled budget	**-**	**-**	**-**	**-**	**-**	**-**

Drugs Action

The Council established a partnership agreement with the NHS Bristol, Working Links and other partners using powers under Section 31 of the Health Act 2006 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:

	2017/18 £'000	2016/17 £'000
Funding provided to the pooled budget:		
Balance Brought Forward	1,986	2,536
Bristol City Council General Fund	1,611	1,430
Bristol City Council Public Health	7,456	7,720
Other Bodies	98	112
	11,151	**11,798**
Expenditure met from the pooled budget		
Drug and alcohol services for adults	9,165	9,812
Substance Misuse Services for Young People	-	-
	9,165	**9,812**
Net underspend carried forward	**1,986**	**1,986**

13 Members' Allowances

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

	2017/18 £'000	2016/17 £'000
Basic allowance	880	807
Special responsibility allowances	356	311
Travelling and subsistence allowance	5	6
Co-optees basic allowance	-	2
Total	1,241	1,126

In addition to the above, the elected Mayor is paid an annual allowance amounting to £69,219.

The 2017/18 figure for Members allowance includes backdated payments relating to the period 1st January 2015 – 1st April 2017.

14 Officers' Remuneration & Exit Packages

Where a senior officer's annual salary is £50,000 or more, but less than £150,000, remuneration is disclosed individually by way of job title. For those senior officers whose salary is £150,000 or more, their name is also disclosed. The remuneration paid to the Council's City Director, Chief Executive, Strategic Directors for Resources, People, Neighbourhoods and Place Directorates, Chief Financial Officer and Monitoring Officer during the year was as follows:

(Interim)* The amounts disclosed in the table below in respect of these posts are the costs incurred by the Council to secure the individuals services on this basis and not the amounts these individuals actually received (which will have been lower).

2017/18				**Salary, Fees and Allowances**	**Compensation for Loss of Office**	**Pension Contribution**	**Total**
Post Title	**Post Term**	**Post Holder**	**Notes**	**£**	**£**	**£**	**£**
Chief Executive	April '17-Sept. '17	A Klonowski	1	80,118	98,000	18,000	**196,118**
Head of Paid Service	Oct '17 - March '18		2	-	-	-	**-**
Strategic Director - Resources (Interim)*	April '17 - Jan'17	N Beardmore	3	194,894	-	-	**194,894**
Executive Director - Resources (Interim)	Jan '18-Mar '18	D Murray	4	32,513	-	7,316	**39,828**
Strategic Director - People	April '17 - Jan'18	J Readman		111,554	38,324	24,513	**174,391**
Executive Directors Care and Safeguarding	Jan '18-Mar '18	J Jenson	5	28,645		6,445	**35,090**
Strategic Director - Neighbourhoods	April '17 - Dec '17	A Comley		110,290	-	24,815	**135,105**
Executive Directors Communities	Jan '18-Mar '18	A Comley	6	25,710	-	5,785	**31,495**
Strategic Director -Place	April '17 - May '17	B Mac Ruairi		19,011	-	4,277	**23,288**
Executive Directors Growth and Regeneration (Interim)*	Jan '18-Mar '18	C Molton	7	52,825	-	**-**	**52,825**
Statutory Officers- Chief Financial (S151)	April '17 - Dec '17			90,819	-	19,084	**109,904**
Statutory Officers- Chief Financial (S151)	Jan '18-Mar '18		8	-	-	**-**	**-**
Statutory Officers- Service Director Legal and Democratic (Monitoring Officer)	April '17 - March '18			94,601	-	21,285	**115,886**

2016/17				Salary, Fees and Allowances	Compensation for Loss of Office	Pension Contribution	Total
Post Title	**Post Term**	**Post Holder**	**Notes**	**£**	**£**	**£**	**£**
City Director	March ’17-July ‘17	N Yates		62,271	192,955	12,012	**267,238**
Chief Executive (Interim)*	Aug’16 – Feb ‘17	S Hughes		127,523	-	-	**127,523**
Chief Executive	March’17	A Klonowski		18,270	-	-	**18,270**
Strategic Directors - Business Change	April ’16- May ‘16	M Wide	9	22,853	-	5,055	**27,908**
Strategic Directors - Resources (Interim)	July ’16 – Feb’17	A Klonowski		118,482	-	-	**118,482**
Strategic Directors - People	April '16 - March '17	J Readman		136,608	-	30,377	**166,985**
Strategic Directors - Neighbourhoods	April '16 - March '17	A Comley		132,485	-	29,544	**162,029**
Strategic Directors - Place	April '16 - March '17	B Mac Ruairi		136,752	-	30,377	**167,129**
Statutory Officers- Chief Financial (S151)	Nov ’16 –March ‘17			37,962	-	8,466	**46,428**
Statutory Officers- Chief Financial (S151) (Interim)*	April ’16 - June’16	J Oldale		68,640	-	-	**68,640**
Statutory Officers- Chief Financial (S151) (Interim)*	June ’16 - Nov’16	A Scholes		108,305	-	-	**108,305**
Statutory Officers- Head of Legal Services (Monitoring Officer)	April '16 - March '17			94,739	-	21,127	**115,866**

Notes

1. Post Deleted in Jan 18. Following a review of the remuneration paid to the Chief Executive, A Klonowski, we have re-categorised a proportion of her salary as compensation for loss of office. This has not resulted in any additional cost to the Council.
2. The services of the Director of Resources were secured on an interim basis.
3. The Head of Paid service post was covered by existing Strategic or Executive Directors as follows; 1 – 10 October 2017 the Strategic Director for People; 11 October 2017 – 21 January 2018 the Strategic Director of Resources; 22 January to 31 March 2018 the Executive Director for Care and Safeguarding. The Strategic Director for People and Care and the Executive Director for Safeguarding did not receive any additional remuneration while covering for this post.
4. Post title changed for Strategic Director to Executive Director of resources. D Murray acted into this position but retained S151 responsibilities.
5. Post title changed for Strategic Director to Executive Director and directorate changed from People to Care & Safeguarding.
6. Post title changed for Strategic Director to Executive Director and directorate changed from Neighbourhoods to Communities.
7. Post title changed for Strategic Director to Executive Director and directorate changed from Place to Growth & Regeneration.
8. S151 responsibilities were covered by Interim Acting Director of resources.
9. Business Change Directorate is now Resources

In addition to the remuneration of senior employees set out above, the number of the Authority's employees receiving more than £50,000 remuneration for the year (excluding employer's contributions) is set out in the table below:

Remuneration band	2017/18 Number of employees		2016/17 Number of employees	
	Schools	Non-Schools	Schools	Non-Schools
£50,000 - £54,999	34	32	26	71
£55,000 - £59,999	22	48	33	59
£60,000 - £64,999	16	30	25	39
£65,000 - £69,999	13	19	9	14
£70,000 - £74,999	4	7	4	9
£75,000 - £79,999	2	3	6	8
£80,000 - £84,999	3	2	4	2
£85,000 – 89,999	-	1	1	4
£90,000 - £94,999	-	6	1	11
£95,000 - £99,999	-	2	-	2
£100,000 - £104,999	-	1	-	1
£105,000 - £109,999	-	-	-	1
£110,000 - £114,999	-	1	-	-
£115,000 - £119,999	-	1	-	-
£120,000 - £124,999	-	1	-	1
Totals	94	154	109	222

Exit Packages

The numbers of exit packages relating to council employees during 2017/18, with total cost per band and the total cost of compulsory and other redundancies are set out in the table below. The numbers and costs include packages agreed at the end of the year but not paid. Costs include the costs of early payment of pension in the cases of early retirement.

Exit package cost band	Number of compulsory redundancies		Number of other departures		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
	No.	No.	No.	No.	No.	No.	£'000	£'000
£0 - £20,000	31	19	24	178	55	197	423	1,906
£20,001 - £40,000	6	12	11	102	17	114	504	3,204
£40,001 - £60,000	4	-	8	31	12	31	577	1,521
£60,001 - £80,000	2	-	1	21	3	21	203	1,428
£80,001 - £100,000	-	-	1	14	1	14	82	1,245
£100,001 - £150,000	-	-	1	19	1	19	103	2,262
£150,001 - £200,000	-	-	-	2	-	2	-	310
Total	**43**	**31**	**46**	**367**	**89**	**398**	**1,892**	**11,929**

15 External Audit Costs

The Council 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 Council's external auditors BDO.

	2017/18	2016/17
	£'000	£'000
Fees payable to the External Auditor with regard to external audit services carried out by the appointed auditor for the year	204	204
Fees payable to the External Auditor for the certification of grant claims and returns for the year	20	11
Fees payable in respect of other services provided by the External Auditor during the year	32	26
Total	**256**	**241**

16 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency (EFA), the Dedicated Schools Grant (DSG). Once allocated to a local authority an element is recouped by the EFA to fund academy schools in the council's area. The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2014. The Schools Budget includes elements for a range of educational services provided on a Council wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable are shown in the following table:

2016/17 £'000 Central Expenditure	2016/17 £'000 ISB	2016/17 £'000 Total		Notes	2017/18 £'000 Central Expenditure	2017/18 £'000 ISB	2017/18 £'000 Total
		312,953	Final DSG before academy recoupment				329,526
		137,730	Less: Academy figure recouped for year	1			151,849
		175,223	Total DSG after academy recoupment				177,677
		2,889	Plus: Brought forward from previous year	2			(1,630)
		1,254	Less: Carry forward agreed in advance				0
27,250	149,608	176,858	Agreed initial budgeted distribution		23,709	152,338	176,047
-	708	708	In year adjustments	3	-	842	842
27,250	**150,316**	**177,566**	**Final budgeted distribution**		**23,709**	**153,180**	**176,889**
30,009	-	30,009	Less: actual central expenditure		25,385	-	25,385
-	150,441	150,441	Less: actual ISB deployed to schools		-	152,520	152,520
(2,759)	**(125)**	**(2,884)**	**Carry forward**	4	**(1,676)**	**660**	**(1,016)**
		1,254	Carry forward agreed in advance				0
		(1,630)	**Total carried forward (Note 19)**				**(1,016)**

1. The academy recoupment in 2016/17 comprised 61 academies open at the start of the year plus 2 new academy schools. The academy recoupment in 2017/18 comprised 63 academies open at the start of the year plus 8 that converted in year.
2. This is the brought forward figure from 2016/17.
3. The in-year adjustment is an estimate of the final early years block adjustment.
4. Included in the carry forward is £0.36m for underspends on de-delegated budgets, Early Help proposal funding of £0.2m and underspends in the Schools Block of £2.1m and Early Years £2m. However, there is an offsetting overspend carry forward of £5.7m on the High Needs block.

17 Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2017/18:

Credited to Taxation and Non Specific Grant Income:

	2017/18 £'000	2016/17 £'000
Capital grants and contributions (Note 11 & see below)	35,534	57,275
Revenue support grant (Note 11)	-	60,368
Non service related government grants (Note 11)	12,101	16,829
Total	**47,635**	**134,472**

Capital grants and contributions

	2017/18 £'000	2016/17 £'000
Government grants applied:		
Place	30,518	46,032
People	2,207	8,123
Neighbourhoods	1,890	721
Section 106 Contributions	919	291
Total Government Grants & Contributions applied	**35,534**	**55,167**
Government grants unapplied	-	2,108
Total grants credited to the CIES	**35,534**	**57,275**

Credited to Services

The Council 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 Mar 2018 £'000	31 Mar 2017 £'000
People		
Adult Education	1,649	1,676
Improved Better Care Fund	9,056	-
Dedicated Schools Grant	178,519	175,223
Education Services Grant	974	3,139
Education Funding Agency Grants	9,678	9,678
Independent Living Fund Grant	1,723	1,782
PFI Special Grant	17,912	18,160
Pupil Premium	8,802	9,206
SEN Reform Grant	312	279
Troubled Families Grant	2,196	1,398
Youth Justice Board Grant	647	655
Other Care Grants (Adults)	442	376
Other Care Grants (Children)	2,363	1,873
Other	944	311
Neighbourhoods		
Discretionary Housing Payments	1,470	1,147
Homelessness Reduction & Support Grants	1,712	43
Housing Benefit (rent allowances/council tax benefit) subsidy	165,055	173,143
Housing Benefit Administration Subsidy	3,050	3,220
Public Health	33,343	34,265
SWERCOTS	381	677
Trailblazer Grant	410	100
Other	2,757	1,678
Place		
Air Quality Grant	433	-
Arts Council England - Museums	2,440	2,536
Better Bus Area Fund	440	283
Bus Service Operators Grant (BSOG)	448	492
Cycling Ambition Fund	9,137	4,669
Invest In Bristol & Bath 2015-2020	(19)	1,028
Local Sustainable Transport Fund West (LSTF)	4,015	3,569
Sustainable Travel Access Fund	1,643	1,990
Other	1,343	6,719
Resources - other	181	338
Total	**463,456**	**459,653**

	31 March 2018	31 March 2017
	£'000	£'000
Capital Grants and Contributions Received in Advance		
Government grants	23,818	8,036
Section 106 contributions	8,958	15,211
Total	**32,776**	**23,247**
Due < 1 year	26,057	11,839
Due > 1 year	6,719	11,408
Total	**32,776**	**23,247**
Revenue grants (within creditors)		
People	1,055	477
Neighbourhoods	101	32
Place	692	7,947
Resources	469	910
	2,317	**9,366**

18 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 Council in the year, in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2017/18	General fund balance	Housing Revenue Account	Capital Receipts	Major Repairs Reserve	Capital Grants Unapplied	Total Movement Usable Reserves
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Adjustment 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	(56,584)	(26,917)	-	-	-	(83,501)
Movement in the market value of Investment Properties	5,942	2,676	-	-	-	8,618
Amortisation and impairment of Intangible Assets	(4,590)	-	-	-	-	(4,590)
Capital grants and distributions	35,534	-	-	-	-	35,534
Revenue and expenditure funded from capital under statute	(2,965)	-	-	-	-	(2,965)
Amount of non-current assets written off on disposal or sale as part of the (loss) on disposal to the Comprehensive Income and Expenditure Statement	(34,769)	(9,436)	-	-	-	(44,205)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	7,544	-	-	-	-	7,544
Capital expenditure charged against the General Fund and HRA balances	10,421	5,948	-	-	-	16,369
Adjustments involving the Capital Receipts Reserve:						
Transfer of sale proceeds credited as part of the (loss) on disposal to the Comprehensive Income and Expenditure Statement	13,771	16,708	(30,479)	-	-	-
Administrative costs of non-current asset disposals	(407)	-	407	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	6,254	-	-	6,254
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(6,055)	-	6,055	-	-	-
Adjustment Involving the Major Repairs Reserve (MRR):						
Excess depreciation transferred to the MRR	-	-	-	-	-	-
HRA depreciation credited to MRR	-	25,526	-	(25,526)	-	-
Use of the MRR to finance new capital expenditure	-	-	-	24,301	-	24,301
Adjustments involving the Capital Grants Unapplied Account:						
Application of grants and contributions to capital financing	-	-	-	-	336	336
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	177	-	-	-	-	177
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 33)	(66,388)	(8,743)	-	-	-	(75,131)
Employer's pensions contributions and direct payments to pensioners payable in the year	43,196	4,148	-	-	-	47,344
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	(9,250)	-	-	-	-	(9,250)
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	2,379	-	-	-	-	2,379
Other Reserve Movements						
Total Adjustment	**(62,044)**	**9,910**	**(17,763)**	**(1,225)**	**336**	**(70,786)**

2016/17	General fund balance	Housing Revenue Account	Capital Receipts	Major Repairs Reserve	Capital Grants Unapplied	Total Movement Usable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustment 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	(45,513)	101,183	-	-	-	55,670
Movement in the market value of Investment Properties	17,918	463	-	-	-	18,381
Amortisation and impairment of Intangible Assets	(1,840)	-	-	-	-	(1,840)
Capital grants and distributions	57,275	-	-	-	-	57,275
Revenue and expenditure funded from capital under statute	(17,530)	-	5,300	-	-	(12,230)
Amount of non-current assets written off on disposal or sale as part of the (loss) on disposal to the Comprehensive Income and Expenditure Statement	(10,684)	(13,470)	-	-	-	(24,154)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	12,005	-	-	-	-	12,005
Capital expenditure charged against the General Fund and HRA balances	17,656	77	-	-	-	17,733
Adjustments involving the Capital Receipts Reserve:						
Transfer of sale proceeds credited as part of the (loss) on disposal to the Comprehensive Income and Expenditure Statement	9,593	19,704	(29,296)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	228	-	-	228
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	-	15,476	-	-	15,476
Adjustment Involving the Major Repairs Reserve (MRR):						
Excess depreciation transferred to the MRR	-	7,036	-	(7,036)	-	-
HRA depreciation credited to MRR	-	24,718	-	(24,718)	-	-
Use of the MRR to finance new capital expenditure	-	-	-	33,576	-	33,576
Adjustments involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to CIE	-	-	-	-	(2,108)	(2,108)
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	177	141	-	-	-	318
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 33)	(65,716)	(6,575)	-	-	-	(72,291)
Employer's pensions contributions and direct payments to pensioners payable in the year	46,730	5,040	-	-	-	51,770
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	5,928	-	-	-	-	5,928
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	(1,476)	-	-	-	-	(1,476)
Other Reserve Movements						
Total Adjustment	**22,142**	**138,317**	**(5,911)**	**1,822**	**(2,108)**	**154,262**

19 Usable Reserves

Reserves represent the authority's net worth and show its spending power. Usable reserves result from the authority's activities and can be spent in the future. This note sets out the amounts set aside and posted back to Usable Reserves in 2017/18, they include:

- General Fund Strategic Reserve – to cushion the impact of unexpected events or emergencies
- Earmarked Reserves – to provide financing to meet known or predicted future General Fund expenditure plans
- School Balances/DSG – amounts required by statute to be set aside for future expenditure in schools
- Housing Revenue Account Reserves – amounts specifically required by statute to be set aside and ring-fenced for future investment in HRA
- Capital reserves – includes capital receipts and capital grants set aside to finance future capital spending plans

	01-Apr-16	Transfers Out	Transfers in	01-Apr-17	Transfers Between	Transfers Out	Transfers in	31-Mar 2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total General Fund Strategic Reserve	(20,000)	-	-	**(20,000)**		**-**	**-**	**(20,000)**
General Fund Earmarked Reserves								
Capital Investment Reserve	(31,360)	16,424	(1,000)	**(15,936)**	(6,030)	7,504	(2,333)	**(16,795)**
Business Transformation Reserve	(20,414)	10,767	(2,768)	**(12,415)**	8,344	-	(1,613)	**(5,684)**
Risk Management Reserve	(12,772)	8,024	(971)	**(5,719)**	(860)	1,487	(16,147)	**(21,239)**
Statutory/Ring-fenced Reserve	(9,476)	1,014	(1,584)	**(10,046)**	(2,000)	2,050	(4,645)	**(14,641)**
Financing Reserve	(15,281)	6,600	(3,152)	**(11,833)**	107	4,075	(5,949)	**(13,600)**
Service Specific Reserves	(16,675)	7,722	(544)	**(9,497)**	235	642	(6,842)	**(15,462)**
Total	(105,978)	50,551	(10,019)	**(65,446)**	**(204)**	**15,758**	**(37,529)**	**(87,421)**
School Reserves								
Schools – DSG	(95)	1,725	-	**1,630**	-	633	(1,247)	**1,016**
Schools - Balances	(9,371)	4,394	-	**(4,977)**	204	-	(598)	**(5,371)**
Schools - Other	(4,137)	2,953	(928)	**(2,112)**	-	-	(294)	**(2,406)**
Total Schools	(13,603)	9,072	(928)	**(5,459)**	**204**	**633**	**(2,139)**	**(6,761)**
HRA								
HRA General Reserve	(49,437)	-	(4,800)	**(54,237)**	-	-	(17,032)	**(71,269)**
Major Repairs Reserve	(1,822)	1,822	-	**-**	-	-	(1,225)	**(1,225)**
HRA Earmarked Reserves	(12,317)	4,431	(904)	**(8,790)**	-	1,655	(210)	**(7,345)**
Total HRA Reserves	(63,576)	6,253	(5,704)	**(63,027)**	**-**	**1,655**	**(18,467)**	**(79,839)**
Capital Reserves								
Capital Receipts	(39,798)	24,384	(30,295)	**(45,709)**	-	14,366	(32,129)	**(63,472)**
Capital Grants Unapplied	(1,232)	-	(2,108)	**(3,340)**	-	336	-	**(3,004)**
Total Usable Capital Reserves	(41,030)	24,384	(32,403)	**(49,049)**	**-**	**14,702**	**(32,129)**	**(66,476)**
TOTAL USABLE RESERVES	(244,187)	90,260	(49,054)	**(202,981)**	**-**	**32,748**	**(90,264)**	**(260,497)**

Details of the earmarked reserves are set out below:

RESERVE	PURPOSE
Capital Investment Reserve	The Balance at 31 March is maintained to provide funding for the Council's capital/commercial investments and growth in Enterprise areas as agreed in the budget.
Business Transformation Reserves	Invest to save funds set aside to deliver the Council's major Transformational Change Programme to improve services, improve productivity and to reduce costs. The reserve will be used to fund one-off costs and the required investment.
Risk Reserves	Funds set aside to mitigate risks not otherwise provided for including volatility in business rate income, uninsured risks and potential litigation/claims.
Statutory/Ring-fenced reserves	Amounts required by statute or accounting code of practice to be set aside and ring-fenced for specific purposes, e.g. Public Health Reserve, Business Rate growth in Enterprise Areas (pooled amount).
Technical/Financing Reserve	Includes PFI sinking fund, grant income (without conditions) carried forward in accordance with accounting regulations and resources set aside to match liabilities elsewhere on the Balance Sheet.
Service specific reserves	Amounts set aside to finance specific projects or to meet known expenditure plans, including: - GDPR (ICT Security) (£1m) to implement improved security to comply with new data protection regulations - Development Fund (£1.5m) to provide match funding to progress existing and proposed regeneration schemes - Transport (£1.9m) for sustainable transport and improvements to car parks

20 Property, Plant and Equipment Movements in 2017/18

The valuations, excluding vehicles, plant, equipment, infrastructure assets and community assets are carried out by Richard Fear, MRICS, Property Investment Manager – Growth & Regeneration. The basis for the valuation of all assets is set out in the statement of accounting policies.

- Movement of assets held at historic cost to depreciated replacement cost
- Specialised assets are valued on a depreciated replacement cost basis and are subject to a number of varying factors such as build costs

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets under Construction	Surplus Assets	Total Property, Plant and Equipment excl. Council Dwellings	PFI Assets included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation									
At 1 April 2017	**1,477,193**	**593,680**	**63,499**	**253,493**	**8,271**	**28,691**	**48,305**	**995,939**	**19,287**
Additions	31,408	23,247	2,443	43,793	-	5,340	165	74,988	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	165,341	49,797	-	-	2	-	(276)	49,523	-
Revaluation increases/(decreases) recognised in the surplus/deficit on the Provision of Services	-	(18,856)	-	(1)	-	-	(1,651)	(20,508)	-
De-recognition - Disposals	(9,358)	(29,626)	(958)	-	-	-	(1,482)	(32,066)	-
Assets reclassified to/from Held for Sale	(163)	(67)	-	-	-	-	(1,599)	(1,666)	-
Assets reclassified to/from Investment Property	-	999	-	1	-	-	239	1,239	-
Other movements in cost or valuation	353	14,262	-	-	(7)	(12,947)	(1,660)	(352)	-
At 31 March 2018	**1,664,774**	**633,436**	**64,984**	**297,286**	**8,266**	**21,084**	**42,041**	**1,067,097**	**19,287**
Accumulated Depreciation and Impairment									
At 1 April 2017	-	(23,031)	(27,243)	(27,169)	(92)	(1,894)	(986)	(80,415)	(761)
Depreciation Charge	(24,928)	(15,381)	(5,668)	(8,677)	-	-	(853)	(30,579)	(371)
Depreciation written out to Revaluation Reserve/Surplus/Deficit on the provision of Services	16,532	-	-	-	-	-	-	-	-
Impairment losses/reversals recognised in the Revaluation Reserve	-	3,054	-	-	-	-	1,562	4,616	-
Impairment losses/reversals recognised in the Surplus/deficit on the Provision of Service	-	-	-	-	-	-	-	-	-
De-recognition - disposals	83	2,524	958	-	-	-	3	3,485	-
De-recognition - other	-	-	-	-	-	-	-	-	-
Other movements in Depreciation and Impairment	4	23	-	-	(74)	56	15	20	-
At 31 March 2018	(8,309)	(32,811)	(31,953)	(35,846)	(166)	(1,838)	(259)	(102,873)	(1,132)
Balance Sheet at 31 March 2018	**1,656,465**	**600,625**	**33,031**	**261,440**	**8,100**	**19,246**	**41,782**	**964,224**	**18,155**
Balance Sheet at 1 April 2017	**1,477,193**	**570,649**	**36,256**	**226,324**	**8,179**	**26,797**	**47,319**	**915,524**	**18,526**

Property, Plant and Equipment Comparative movements in 2016/17

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets under Construction	Surplus Assets	Total Property, Plant and Equipment excl. Council Dwellings	PFI Assets included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation									
At 1 April 2016	1,124,462	547,466	59,805	191,517	8,381	60,973	36,015	904,157	19,212
Additions	48,768	28,998	3,620	61,976	57	14,422	712	109,785	75
Revaluation increases/(decreases) recognised in the Revaluation Reserve	213,641	6,874	-	-	-	-	7,070	13,944	-
Revaluation increases/(decreases) recognised in the surplus/deficit on the Provision of Services	101,583	(23,230)	-	-	(93)	-	(430)	(23,753)	-
De-recognition - Disposals	(10,294)	(4,579)	-	-	-	-	(583)	(5,162)	-
Assets reclassified to/from Held for Sale	(967)	(3,943)	-	-	-	-	(586)	(4,529)	-
Assets reclassified to/from Investment Property	-	1,495	-	-	-	-	-	1,495	-
Other movements in cost or valuation	-	40,599	74	-	(74)	(46,704)	6,105	-	-
At 31 March 2017	**1,477,193**	**593,680**	**63,499**	**253,493**	**8,271**	**28,691**	**48,303**	**995,937**	**19,287**
Accumulated Depreciation and Impairment									
At 1 April 2016	-	(12,427)	(21,895)	(21,488)	(92)	(3,001)	(362)	(59,265)	**(380)**
Depreciation Charge	(24,718)	(15,100)	(5,348)	(5,681)	-	-	(988)	(27,117)	(381)
Depreciation written out to Revaluation Reserve/Surplus/Deficit on the provision of Services	24,488	4,839	-	-	-	-	349	5,188	-
Impairment losses/reversals recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Impairment losses/reversals recognised in the Surplus/deficit on the Provision of Service	-	-	-	-	-	-	-	-	-
De-recognition - disposals	221	361	-	-	-	-	11	372	-
De-recognition - other	-	-	-	-	-	-	2	2	-
Other movements in Depreciation and Impairment	9	(704)	-	-	-	1,107	4	407	-
At 31 March 2017	-	(23,031)	(27,243)	(27,169)	(92)	(1,894)	(984)	(80,413)	**(761)**
Balance Sheet at 31 March 2017	**1,477,193**	**570,649**	**36,256**	**226,324**	**8,179**	**26,797**	**47,319**	**915,524**	**18,526**
Balance Sheet at 1 April 2016	**1,124,462**	**535,039**	**37,910**	**170,029**	**8,289**	**57,972**	**35,653**	**844,892**	**18,832**

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 and Equipment 3–8 years
- Infrastructure – 25 years (quay walls and lock gates in City Docks not depreciated as useful life beyond 100 years)

Capital Commitments

At 31 March 2018 the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment with outstanding contract commitments of £39.9m.

Significant contractual commitments outstanding at 31 March 2018 were as follows:

		£m
Schools Expansion Programme: Cotham School, St Bede's School and Briarwood Nexus	Bristol LEP Ltd	8.3
New Housing Provision	Kier Living Ltd	7.4
Priority Stock - New kitchens including rewiring	Lovells Construction Ltd	4.9
Transport Infrastructure - Temple Circus	Eurovia Infrastructure Ltd	3.5
Priority Stock - Install replacement Central Heating Systems	Glevum Heating & Plumbing Ltd	3.2
New Housing Provision	Halsall Construction Ltd	2.1
Ashton Vale to Temple Meads (Metrobus) - Contract 1	Balfour Beatty Civil Engineering Ltd	1.7
Cattle Market Road - Demolition & Enabling works	Kier Construction Ltd	1.6
Transport Infrastructure - Temple Circus (Footbridge construction)	Andrew Scott Ltd	1.3
	Total	**34.0**

Bristol Arena

The council approved funding package for the Arena project on the Temple Island site of £124m, referenced in Council's Cabinet reports in January 2014, October 2015 and March 2016. Given emerging costs pressures and other social, economic changes a Value for Money review was agreed by Cabinet April 2017 to establish whether the project could be delivered in an affordable way, achieve an improved public / private sector ratio that is fair and demonstrates Value for Money to local taxpayers.

This was an important step for a project that is considered to be of strategic importance to the City. The position had changed over time with new opportunities coming to light and the scope of the Value for Money review was expanded to cover further opportunities.

The Arena Temple Island project remained very much a live project and a range of activities were progressed subsequent to 31 March 2018 to ensure the scheme remained shovel ready.

On the 11th of June 2018 Value for Money reports (based on information available to early May 2018) prepared independently by KPMG were presented to members of Overview and Scrutiny Management Board (OSMB). These reviewed the Bristol Arena and potential alternative propositions which included a mixed use scheme at Temple Island.

The Arena project team remained in place throughout this period and following the OSMB meetings worked in collaboration with the Contractor / Operator on a number of areas; examples as follows:

- Contractor revised Target Cost, including value engineering review and considerations of planning implications.
- Social Value measurements and disaggregation of the metrics within the submission double counted within the economic appraisals.
- Assessment and remodelling of the revised Operator financial offer
- Car parking reviews.

On 4 September 2018 the Council's Cabinet consider the resolved not to progress with the proposed Arena on Temple Island and take all steps necessary and incidental to the cessation of that project and the Council would continue to work with partners to develop an alternative mixed use scheme for the temple island site.

Expenditure has already been incurred on the Arena Island site of £12.8m to 31 March 2018 and £13.0m to date. These costs include scheme design and site preparation associated with delivery of the Arena scheme. Whilst a proportion of this will be transferable to an alternative scheme, some of the costs to date are likely to be deemed abortive. Further due diligence is required on any alternative proposition to enable the actual abortive costs to be determined.

It is important to note that abortive expenditure cannot be financed through capital resources and will require revenue reversion.

Next year's accounts will reflect the final abortive costs referred to above.

Revaluations

The Council carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at fair value is revalued at least every 5 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 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	Other Land and Buildings	Vehicles, Plant, etc	Infrastructure	Community Assets	Assets Under Construction	Surplus Assets	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	**-**	**28,106**	**64,984**	**297,286**	**8,266**	**13,414**	**168**	**412,224**
31 March 2018	1,664,774	95,315	-	-	-	615	41,580	**1,802,284**
31 March 2017	-	72,152	-	-	-	-	-	**72,152**
31 March 2015	-	330,951	-	-	-	-	150	**331,101**
31 March 2014	-	73,639	-	-	-	-	-	**73,639**
31 March 2013	-	33,273	-	-	-	7,055	143	**40,471**
Total cost valuation	**1,664,774**	**633,436**	**64,984**	**297,286**	**8,266**	**21,084**	**42,041**	**2,731,871**

In addition the Council has instructed its valuer’s to undertake a review of the latest valuations to ensure that the carrying value of assets is not materially different at the balance sheet date. Whilst carrying out a review of the general effect of market indices within the property portfolio it was considered appropriate to increase the Land and Buildings valuation within Property Plant and Equipment by £44m

21 Heritage Assets

Reconciliation of the carrying value of Heritage Assets held by the Council.

	Art Collection	Ethnography & Foreign Archaeology	Antiquarian Books	Other	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
1 April 2017	122,982	42,584	7,050	26,235	198,851
Additions	-	-	-	-	-
Revaluations	1,618	-	625	-	2,243
31 March 2018	**124,600**	**42,584**	**7,675**	**26,235**	**201,094**
Cost or valuation					
1 April 2016 (Restated)	122,982	42,584	7,050	26,235	198,851
Additions	-	-	-	-	-
Revaluations	-	-	-	-	-
31 March 2017 (Restated)	**122,982**	**42,584**	**7,050**	**26,235**	**198,851**

The above collection of Heritage Assets are predominantly valued on an insurance valuation basis, and some items classified as "other" are valued at historic cost.

Heritage Assets: Further Information on the Museum's collections

Loans

The Museum occasionally makes available loan items from its collection to regional and national museums and borrows collections for specific exhibitions. Collections not on display are held in secure storage but access is permitted on an appointment basis.

Revaluation

The restatement of the revaluation in 2015/16 relates to an in depth review carried out in 2017/18 by our insurance provider as part of their contract award. Items are now included in this valuation where a reliable cost to replace has now been ascertained, a key requirement for accounting purposes.

Preservation

The collections have been under the care of conservators since the 1940s. They specialise in antiquities, paintings, paper and photographs, and preventive conservation and are based at Bristol Museum and Art Gallery. Our conservators:

- prepare artefacts for display
- set conservation standards for the refurbishment of permanent exhibitions
- prepare artefacts for loan to other institutions
- check new acquisitions
- assess the condition of objects and work on the installation of temporary exhibitions
- work to improve collections storage
- maintain permanent displays - this includes training staff and cleaning objects.

22 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:

	2017/18	2016/17
	£'000	£'000
Rental income from Investment Property	11,642	11,285
Direct operating expenses arising from Investment Property	(651)	(489)
Net gain	**10,991**	**10,796**

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

The following table summarises the movement in the fair value of Investment Properties over the year:

	2017/18	2016/17
	£'000	£'000
Balance at start of the year	253,976	240,328
Additions – purchases	142	745
Disposals	(6,081)	(3,984)
Net gains/losses from fair value adjustments	8,618	18,382
Transfers to/from Property, Plant and Equipment	(1,240)	(1,495)
Balance at end of the year	**255,415**	**253,976**

23 Financial Instruments & Borrowing

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

	Long-Term		Current	
	31 March 2018	31 March 2017	**31 March 2018**	31 March 2017 Restated
	£'000	£'000	£'000	£'000
Financial Liabilities				
Financial Liabilities at amortised Cost	**579,187**	585,553	**87,435**	109,898
Total Financial Liabilities	**579,187**	585,553	**87,435**	109,898
Financial Assets				
Available-for-sale financial assets	19,960	12,108	**-**	-
Unquoted equity investment at cost	**3,252**	2,852	**-**	-
Loans & Receivables at Amortised Cost	**3,973**	10,272	**118,135**	139,624
Total Financial Assets	**27,185**	25,232	**118,135**	139,624

Movements

The decrease in financial assets, circa £20m, primarily related to the prudential borrowing element of the capital programme for which no external borrowing was undertaken. This was in accordance with the 2017/18 Treasury Strategy to reduce the net financing costs and counter party risk of the authority, while maintaining liquidity to meet the obligations of the authority.

Unquoted Equity Instruments Measured at Cost (where fair value cannot be reliably measured)

The majority of this investment relates to the Authority's shareholding in Bristol Port Company Ltd. The shares are carried at cost of £2.5m and have not been valued as a fair value because cannot be measured reliably as there are no established companies with similar aims in the Authority's area whose shares are traded which might provide comparable market data.

Borrowing

Short-term borrowing	31 March 2018 £'000	31 March 2017 £'000
Deposit loans (repayable at notice - up to 7 days)	101	101
Other short term borrowing (repayable within 1 year):		
- Public Works Loan Board	3,737	3,408
- Banks and other monetary sector	1,138	4,239
- Local bonds and property rent disposals	11	11
- Stocks	10	10
Total	**4,997**	**7,769**

Long-term borrowing	31 March 2018 £'000	31 March 2017 £'000
Public Works Loan Board	310,439	310,439
Market debt (of which £100m LOBO's)	120,000	120,000
Stocks	50	50
Total	**430,489**	**430,489**

The authority as planned repaid a market loan (£3m) and did not undertake any new borrowing during year as set out in the Treasury Management Strategy to reduce the net financing costs and counter party risk of the authority.

Allowance for Credit Losses

The Council has not incurred any losses during the period.

Income, Expense, Gains or Losses

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

Financial Instruments Gains and Losses 2017/18

	Financial Liabilities	Financial Assets		
	Measured at amortised cost	**Loans and receivables**	**Available-for-sale assets**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Interest expense & Impairment Losses	(35,364)	-	(12,102)	(47,466)
Total expense in Surplus or Deficit on the Provision of Services	**(35,364)**	**-**	**(12,102)**	**(47,466)**
Interest Income	-	7,265	-	7,265
Dividend Income	-	-	2,589	2,589
Total income in Surplus or Deficit on the Provision of Services	**(35,364)**	**7,265**	**(9,513)**	**(37,612)**
Deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**-**	**-**	**7,994**	**7,994**
Net gain/(loss) for the year	**(35,364)**	**7,265**	**(1,519)**	**(29,618)**

Financial Instruments Gains and Losses 2016/17

	Financial Liabilities	Financial Assets		
	Measured at amortised cost	**Loans and receivables**	**Available-for-sale assets**	**Total**
	£000s	**£000s**	**£000s**	**£000s**
Interest expense	(35,258)	-	-	(35,258)
Total expense in Surplus or Deficit on the Provision of Services	**(35,258)**	**-**	**-**	**(35,258)**
Interest Income	-	6,103	-	6,103
Dividend Income	-	-	2,658	2,658
Total income in Surplus or Deficit on the Provision of Services	**(35,258)**	**6,103**	**2,658**	**(26,497)**
Surplus arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**-**	**-**	**(4,281)**	**(4,281)**
Net gain/(loss) for the year	**(35,258)**	**6,103**	**(1,623)**	**(30,778)**

Fair Value of Financial Assets and Property Assets

Some of the authority's financial assets are measured in the Balance Sheet at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Descriptions	Fair value measurements at 31 March 2018 using:			Fair value measurements at 31 March 2017 using:		
	Quoted prices in active markets	Observable inputs	Unobservable inputs	Quoted prices in active markets	Observable inputs	Unobservable inputs
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	£000	£000	£000	£000	£000	£000
Recurring fair value measurements						
Non-traded securities:						
Unquoted private companies	-	-	11,210	-	-	7,208
Pooled property fund	-	-	9,150	-	-	4,900
Total Non-traded securities:	**-**	**-**	**20,360**	**-**	**-**	**12,108**
Investment properties	**-**	**255,415**	**-**	**-**	**253,976**	**-**
Surplus properties	**-**	**41,782**	**-**	**-**	**47,320**	**-**
Total recurring fair value measurements	**-**	**297,197**	**20,360**	**-**	**301,296**	**12,108**
Non-recurring fair value measurements		1,539				
Assets held for sale	-	-	-	-	-	-
Total non-recurring fair value measurements	**-**	**1,539**	**-**	**-**	**-**	**-**

Valuation techniques and Inputs

Description of asset	Valuation hierarchy	Basis of Valuation	Observable and Unobservable inputs	Key sensitivities affecting the valuations provided
Surplus assets	Level 2	All surplus assets have been valued by RICS qualified valuers to Fair Value less costs to sell, reflecting highest and best use.	Evidence of title, floor area, siting and site conditions, type/age and current use of the property have been taken into account together with general market conditions and advertised value of similar properties currently up for sale.	Not all assets are physically inspected every year. Latent defects, repair and maintenance backlogs, general changes in the market and other impairments could have a significant impact on the values provided.
Investment Properties	Level 2	All investment properties have been valued by the Council's in-house valuers (all RICS qualified) on an investment income basis which we are satisfied represents highest and best use overall.	All valued on an investment income basis, using existing lease terms and current yields	Changes to market conditions, lease terms, covenant strength and occupancy levels could all affect the asset valuations provided.
Investments in unquoted companies	Level 3	These investments have been valued at the Council's share of each company's net assets.	Calculations for unquoted companies (wholly owned Council subsidiaries) have been based on their unaudited accounts and adjusted for customer base valuation as at 31 March 2018.	Valuations could be affected by the different accounting or valuation methods.

Description of asset	Valuation hierarchy	Basis of Valuation	Observable and Unobservable inputs	Key sensitivities affecting the valuations provided
Investments in Pooled Property Fund	Level 3	These investments have been valued at the Council's share within the pooled fund.	The valuation for Pooled Property Funds have been based on the latest quarterly financial report (31st March 2018).	Changes to housing market conditions could affect the valuation of the pooled property fund.

Transfers between levels of the fair value hierarchy

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

Changes in valuation technique

There has been no change in valuation techniques used during the year.

Description	31 March 2018 Non-traded securities £000	31 March 2017 Non-traded securities £000
Opening balance	12,108	2,456
Transfers into level 3	-	-
Transfers out of level 3	-	-
included in the surplus/(deficit) on the Provision of Services	(12,102)	
included in Other Comprehensive Income and Expenditure	7,994	
Total gains/(losses) for the period:	**(4,108)**	**(4,281)**
Additions	12,360	13,932
Disposals	-	-
Closing balance	**20,360**	**12,108**

The Gains and losses included in the surplus/(deficit) on the Provision of Services relate to the Impairment for Bristol Holdings and has been recognised based on the difference between the carrying value of the Council's investment in its subsidiaries and the fair value of such investments based on available market data. The impairment reflects information based on transactions arising in the past financial year for companies operating in the same markets sector. Based on this data a prudent estimate of the valuation results in an impairment in the current financial year.

The Fair Values of Financial Assets and Financial Liabilities that are not Measured at Fair Value

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- The fair values for financial liabilities for PWLB debt has been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB current[1] rates as at each Balance Sheet date, and include accrued interest, representing the transfer cost of these debt instruments. The fair values for non-PWLB debt have also been calculated using the same procedures as limited market activity exists to provide suitable estimates.
- For loans and receivables prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;

Financial Liabilities	**31 March 2018**		31 March 2017	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	£000	**£000**	£000	£000
Total Liabilities	**666,621**	**967,600**	695,450	994,611

1) If the PWLB "repayment" rates were applied as at balance sheet date, the fair value of liabilities would increase by £156m to £1.124bn

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 2018) arising from a commitment to pay interest to lenders above current market rates.

Financial Assets	**31 March 2018**		31 March 2017	
	Carrying amount	**Fair value**	Carrying amount	Fair value
			Restate	Restated
	£000	**£000**	£000	£000
Loans & Receivables				
Short term investments	25,132	25,132	33,180	33,180
Cash and Cash Equivalents	25,263	25,263	29,142	29,142
Long term investments	23,212	23,212	14,960	14,960
Debtors qualifying as loans and receivables	67,740	67,740	77,302	77,302
Total loans and receivables	**141,347**	**141,347**	**154,583**	**154,583**
Long term debtors	**3,973**	**4,891**	**10,272**	**11,812**
Total Financial Assets	**145,320**	**146,238**	**164,856**	**166,395**

The fair value of the assets is marginally higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future gain (based on economic conditions at 31 March 2018) arising from a commitment to pay interest to lenders below current market rates.

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.
- Re-financing risk – the possibility that the Authority might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and money market movements.

The Council'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.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 21 February 2017 and is available on the Council website.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with Fitch, Standard and Poor's 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-, with the lowest available rating being applied to the criteria;
- UK institutions provided with support from the UK Government;

The Council'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 Council'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	Historical experience of default	Adjustment for market conditions	Estimated maximum exposure to default	Estimated maximum exposure to default
	£000	%	%	£000	£000
	A	B	C	(A*C)	
Long Term Investments:	**31-Mar-18**	**31-Mar-18**	**31-Mar-18**	**31-Mar-18**	31-Mar-17
Non-traded securities	23,212	0.00%	0.00%	-	-
Sub-total	**23,212**			-	-
Short Term Investments:					
AA rated counterparties	10,014	0.02%	0.02%	2	8
A rated counterparties	15,044	0.06%	0.06%	9	6
BBB rated counterparties	74	0.16%	0.16%	-	13
Sub-total	**25,132**			**11**	27
Cash & cash equivalent:					
AAA rated counterparties	15,197	0.04%	0.04%	6	-
AA rated counterparties	9	0.02%	0.02%	-	1
A rated counterparties	9,973	0.05%	0.05%	5	7
BBB+ rated counterparties	84	0.16%	0.13%	-	-
Sub-total	**25,263**	**-**	**-**	**11**	8
Trade debtors (classed as loans and receivables)	**67,740**			-	-
Long-term debtors	**3,973**			-	-
Total Financial assets	**145,320**			**22**	35

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

The Council does not generally allow credit for its trade debtors, including amounts due from government departments and other Local Authorities.

Debtor analysis	Gross debtor at 31-Mar-18	Bad Debt provision at 31-Mar-18	Net debtor at 31-Mar-18	Net debtor at 31-Mar-17 Restated
	£'000	£'000	£'000	£'000
Local tax payers	17,413	(7,998)	**9,415**	6,633
Housing rents	10,768	(8,679)	**2,089**	2,337
Other - sundry debtors	82,516	(33,134)	**49,382**	56,558
Total Other Entities and Individuals	**110,697**	**(49,811)**	**60,886**	**65,528**
Central Government bodies	35,056	-	**35,056**	24,958
Other local authorities	13,905	-	**13,905**	14,653
NHS bodies	4,139	-	**4,139**	5,603
Public corporations and trading funds	-	-	**-**	-
Total debtors	**163,797**	**(49,811)**	**113,986**	**110,742**
Balance sheet debtors	**163,797**	**(49,811)**	**113,986**	**110,742**
Adjust for statutory debtors				
Ex Avon Debt	(1,775)		**(1,775)**	(1,849)
Local taxpayers	(17,413)	7,998	**(9,415)**	(6,633)
Central Government bodies	(35,056)	-	**(35,056)**	(24,958)
Total statutory debtors (not qualifying as loans and receivables under IFRS)	**(52,244)**	**7,998**	**(46,246)**	**(33,440)**
Debtors qualifying as loans and receivables	**109,553**	**(41,813)**	**67,740**	**77,302**

The following table analyses the Gross debt that is now past due over varying periods. This overdue debt is covered by a provision for bad debt.

	31 March 2018	31 March 2017 Restated
	£'000	£'000
Less than three months	12,429	17,501
Three to four months	635	1,090
Four months to one year	8,218	8,927
More than one year	39,962	38,778
Total	**61,246**	**66,296**

Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets to cover day-to-day cash flow need and the Public Works Loans Board and capital markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. Therefore, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets, excluding sums due from customers, is as follows:

	31 March 2018	31 March 2017 Restated
	£'000	£'000
Less than 1 year	118,135	139,624
Between 1 and 2 years	151	3,000
Between 2 and 3 years	-	-
More than 3 years	27,035	22,232
Total	**145,320**	**164,856**

The maturity analysis of financial liabilities is as follows:

	31 March 2018	31 March 2017
	£'000	£'000
Less than 1 year	93,183	115,775
Between 1 and 2 years	14,630	6,237
Between 2 and 3 years	16,771	14,630
More than 3 years	542,037	558,808
Total	666,621	695,450

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.

	Approved minimum limits %	Approved maximum limits %	Actual 31 March 2018 £'000	%	Actual 31 March 2017 £'000	%
Less than 1 year	-	30	4,997	1%	7,769	2%
Between 1 and 2 years	-	40	-	0%	-	0%
Between 2 and 5 years	-	40	15,000	3%	10,000	2%
Between 5 and 10 years	-	50	49,000	11%	37,000	8%
More Than 10 Years	25	100	366,489	85%	383,489	88%
Total			**435,486**	**100%**	**438,258**	**100%**

Market risk

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

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;

- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);

- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and

- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or 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 the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed

At 31 March 2018, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	31 March 2018 £'000
Increase in interest receivable on variable rate investments	857
Impact on Surplus or Deficit on the Provision of Services	857
Share of overall impact debited to the HRA	1,048
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)	111,400

The approximate 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 long term investments in un-quoted companies amounting to £13m primarily for the Bristol Port Company, and Bristol Holdings, the latter a wholly owned subsidiary. Whilst this holding is generally illiquid, the Council is exposed to losses arising from movements in the 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 Available for Sale.

Foreign exchange risk

During 2017/18 the Council received monies denominated in Euro's relating to the receipt of European grant. The authority also made payments in a variety of currencies for the supply of goods and services. Payments and receipts are converted to Sterling at the earliest opportunity.

25 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 Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. Movements on the CFR are also analysed below.

	2017/18 £'000	2016/17 £'000
Opening Capital Financing Requirement	787,378	733,663
Capital investment		
Property, Plant and Equipment	106,396	158,553
Investment Properties	142	745
Intangible Assets	4,810	2,561
Long Term Investments	12,810	14,583
Revenue Expenditure Funded from Capital under Statute	2,965	17,530
Long Term Investment repaid	(1,650)	(1,000)
Sources of finance		
Capital receipts	(6,254)	(20,776)
Government grants and other contributions	(35,870)	(55,167)
Sums set aside from revenue:		
• Direct revenue contributions	(16,367)	(15,553)
• MRR	(24,301)	(35,756)
• MRP – City Council Debt	(7,544)	(12,005)
Closing Capital Financing Requirement	822,515	787,378
Explanation of movements in year		
Less Minimum Revenue Provision	(7,544)	(12,005)
Use of capital receipt for repayment of debt	(1,650)	(1,000)
Increase in underlying need to borrowing (unsupported by government financial assistance)	44,331	66,720
Increase in Capital Financing Requirement	**35,137**	**53,715**

26 Leases

Council as Lessor

Operating Leases

The Council 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 due under non-cancellable leases in future years are:

	31 March 2018 £'000	31 March 2017 £'000
Not later than one year	11,849	11,434
Later than one year and not later than five years	41,552	38,629
Later than five years	849,542	775,196
	902,943	**825,259**

The minimum lease payments receivable at 31 March 2018 and 2017 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.

27 Service Concessions

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, and associated car park, in Hengrove. The centre opened in February 2012 and Bristol Active Limited will operate and maintain the facility until 2037.

The assets and associated liability have been included on the Council's Balance Sheet in accordance with IFRS.

A capital contribution of £7.161m was made to the project by way of a cash payment. This was used to fund the capital works for the Car Park and as a contribution towards the capital works of the Leisure Centre.

Bristol City Council gave Bristol Active Limited approval as set out in the Cabinet Report dated 9th January 2018 to refinance its senior debt on the 19th January 2018. In line with the provisions of the PFI contract, the Council was entitled to a share of the benefit and received a one-off payment of £2.3m. The Council have earmarked these funds to support the revenue position of the authority and to meet anticipated future Hengrove PFI costs. No other aspects of the Council's accounting treatment of the PFI contract are affected.

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

Locally managed schools transferring to Academy status are granted a 125 year peppercorn lease and, in response to CIPFA guidance, are de-recognised from the Council's accounts as control of these assets is transferred to the Academy.

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 for the School PFI schemes will come from the individual schools budget, the overall schools budget and a special government grant. The Hengrove Leisure unitary payment will be funded by the special government grant, with the balance provided from Sports Services budgets. 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 2018 cumulative payments totalling £161m (£143m in 2016/17) 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
2018/19	2,995	1,682	4,764	11	9,452
2019/20 to 2022/23	12,746	8,286	16,905	726	38,663
2023/24 to 2027/28	17,809	15,372	14,667	668	48,516
2028/29 to 2031/32	13,347	15,163	4,108	(641)	31,977
Total	**46,896**	**40,503**	**40,444**	**764**	**128,607**

Over the life of the PFI project, the Council is scheduled to receive £134.8m.

Schools PFI Phase 1B and 1C, Building Schools for the Future

As at 31st March 2018 cumulative payments totalling £161m (£143m in 2016/17) 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**
2018/19	5,061	3,288	6,512	3,542	18,403
2019/20 to 2022/23	21,748	15,546	23,288	14,910	75,492
2023/24 to 2027/28	30,918	21,815	22,102	23,842	98,677
2028/29 to 2032/33	35,680	32,565	12,352	23,010	103,607
2033/34 to 2034/35	10,799	11,351	1,086	6,532	29,768
Total	**104,206**	**84,565**	**65,340**	**71,836**	**325,947**

Over the life of the PFI project, the Council is scheduled to receive £326.3m.

Hengrove Leisure PFI

As at 31 March 2018 payments totalling £21m (£17m at 31 March 2017) have been made to the PFI Contractor. The future estimated payments the Council will have to make under the Contract are as follows:

Year	**Payment for Services**	**Repayment of Liability**	**Interest**	**Other**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
2018/19	331	779	1,564	814	3,488
2019/20 to 2022/23	1,410	2,665	5,465	4,586	14,126
2023/24 to 2027/28	1,970	2,836	5,525	7,749	18,080
2028/29 to 2032/33	2,189	4,132	3,702	8,585	18,608
2033/34 to 2036/37	1,879	4,651	1,218	7,293	15,041
Total	**7,779**	**15,063**	**17,474**	**29,027**	**69,343**

Over the life of the PFI project, the Council is scheduled to receive £69.6m.

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 Hengrove Leisure PFI contains a significant amount of third party income, this is income received directly by the PFI Contractor from the users of the facility. The payment for services has been shown net of this estimated income, as the unitary payments have been reduced to reflect the operator's right to this income. The outstanding liability due to the contractor for reimbursement of capital expenditure is as follows:

	Schools		Hengrove Leisure	
	2017/18	2016/17	2017/18	2016/17
	£'000	£'000	£'000	£'000
Balance outstanding at the start of year	129,556	133,781	15,721	16,380
Movement in year	(4,487)	(4,224)	(659)	(659)
Balance outstanding at year end	**125,069**	**129,557**	**15,062**	**15,721**

The above listed commitments are affected by past inflation – previous price rises will be built into future payments. They are also affected by future inflation, which gives rise to uncertainty.

Bristol Waste Contract

In August 2015 the Council entered into a service contract with Bristol Waste Company to provide recycling and waste services. The assets and associated liability have been included on the Council's Balance Sheet as a service concession in accordance with the code and IFRIC 12. In 2014/15 these services were provided by an external contractor and the assets accounted for as a finance lease in accordance with IFRIC 4.

The future estimated payments the Council will make under the contract are as follows:

Year	Payment for Services	Repayment of Liability	Interest	Total
	£'000	£'000	£'000	£'000
2018/19	11,753	488	59	12,300
Total	**11,753**	**488**	**59**	**12,300**

Total Balance Outstanding on all Service Concessions is shown in the table below:

	Schools		Hengrove Leisure		Bristol Waste Contract		Total	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
	£'000	£'000	£,000	£'000	£,000	£'000	£,000	£'000
Balance outstanding at the start of year	129,556	133,780	15,721	16,380	1,220	1,952	146,497	152,112
Movement in year	(4,487)	(4,224)	(659)	(659)	(244)	(732)	(5,390)	(5,615)
Balance outstanding at year end	**125,069**	**129,556**	**15,062**	**15,721**	**976**	**1,220**	**141,107**	**146,497**

28 Debtors

		31 March 2018 £'000	31 March 2017 £'000
i	**Current debtors**		
	Central government bodies	35,056	24,958
	Other local authorities	13,905	14,653
	NHS bodies	4,139	5,603
	Other entities and individuals	60,886	65,528
	Total	**113,986**	**110,742**

Details of amounts provided as bad debt provisions are included in Note 24.

		31 March 2018 £'000	31 March 2017 £'000
ii	**Long-term debtors**		
	Mortgages	196	206
	Capital loans (Probation/Fire/LEP)	3,342	4,603
	South Gloucestershire Council	436	463
	Former county council debt	42,599	44,374
	Contractual Commitments	-	3,000
	Local Authority Mortgage Scheme	-	2,000
	Total	**46,573**	**54,646**

29 Cash and Cash Equivalents

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

	31 March 2018 £'000	31 March 2017 £'000
Cash held by the Council	266	307
Bank current accounts	(13,940)	(6,526)
Short-term deposits with banks / building societies	38,937	35,361
Total Cash and Cash Equivalents	**25,263**	**29,142**

30 Creditors

Current liabilities	31 March 2018 £'000	31 March 2017 £'000
Service Concession contract liabilities (see Note 27)	976	-
Central government bodies	44,748	51,489
Other local authorities	9,399	10,928
NHS bodies	1,192	2,748
Other entities and individuals	73,484	79,920
Total	**129,799**	**145,085**

Other long-term liabilities	31 March 2018 £'000	31 March 2017 £'000
Service Concession contract liabilities (see Note 27)	140,131	146,497
Retirement benefit obligations (see Note 33)	832,352	921,012
Deferred liabilities	52,866	54,715
Deferred capital receipts	119	129
Rent Deposits	76	75
Total	**1,025,544**	**1,122,428**

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 2018 the liability in the Council's Balance Sheet of £52.9m (2017: £54.7m) comprised of former county council loan debt of £44.4m (2018: £46.2m), £8.5m (2017: £8.5m) 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.

31 Provisions

	Balance at 1 April 2017 £'000	Additional provisions made in 2017/18 £'000	Amounts used in 2017/18 £'000	Balance at 31 March 2018 £'000	Due < 1 year £'000	Due > 1 year £'000
Business Transformation	(150)	(389)	-	(539)	(539)	-
Insurance fund	(2,612)	-	80	(2,532)	(1,813)	(719)
NDR Provision for appeals	(11,117)	(18,483)	5,884	(23,716)	-	(23,716)
Legal	-	(1,166)	-	(1,166)	(1,166)	-
Waste	-	(670)	-	(670)	(670)	-
Other	(549)	(25)	372	(202)	-	(202)
Total	**(14,428)**	**(20,733)**	**6,336**	**(28,825)**	**(4,188)**	**(24,637)**

	Balance at 1 April 2017	Balance at 31 March 2018
Due < 1 year	(2,384)	(4,188)
Due > 1 year	(12,044)	(24,637)
	(14,428)	**(28,825)**

Details of the provisions are shown in the table below:

Provision	Purpose
Business Transformation	Covers future exit costs arising from the Council's restructure proposals
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.
NDR Provision for appeals	Covers the cost of future appeals
Legal	Created to cover the costs of outstanding legal cases within Adult Social Care
Waste	Created to cover the costs of for disputed inflationary charges of Waste Disposal
Other	Other provisions are individually not material

32 Unusable Reserves

	31 March 2018	31 March 2017 Restated
	£'000	£'000
Revaluation Reserve	(800,696)	(589,316)
Capital Adjustment Account	(1,490,937)	(1,504,981)
Available for Sale Financial Instruments	850	8,844
Financial Instruments Adjustment Account	7,432	7,609
Pensions Reserve	861,256	921,012
Collection Fund Adjustment Account	5,705	(3,545)
Accumulated Absences Account	4,522	6,901
	(1,411,868)	**(1,153,476)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council 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.

	2017/18	2017/18	2016/17	2016/17 Restated
	£'000	£'000	£'000	£'000
Balance at 1 April		(589,316)		(367,252)
Upward revaluation of assets	(248,040)		(239,449)	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	14,399		11,864	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		(233,641)		(227,585)
Amount written off to the Capital Adjustment Account		22,261		5,521
Balance at 31 March		**(800,696)**		**(589,316)**

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 Council 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 Council. 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 25 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2017/18	2016/17
	£'000	£'000
Balance at 1 April	(1,504,981)	(1,329,448)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	67,609	51,836
Revaluation losses on Property, Plant and Equipment	15,892	(107,507)
Amortisation of Intangible Assets	4,590	1,840
Revenue Expenditure Funded from Capital Under Statute	2,965	17,530
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	44,205	23,927
	(1,369,720)	(1,341,822)
Adjusting amounts written out of the Revaluation Reserve	(22,261)	(5,521)
Net written out amount of the cost of non-current assets consumed in the year	(1,391,981)	(1,347,343)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(6,254)	(20,776)
Use of the Major Repairs Reserve to finance new capital expenditure	(24,301)	(33,576)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(35,870)	(55,167)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(7,544)	(12,005)
Use of the Capital Receipts Reserve for repayment of Long Term Investments financed by borrowing	(1,650)	(1,000)
Long Term Capital Investment repaid	1,650	1,000
Reduction in Finance Lease Liability following changes to Waste Service Concession contract	-	-
Capital expenditure charged against the General Fund and HRA balances	(16,369)	(17,733)
	(1,482,319)	(1,486,600)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(8,618)	(18,381)
Balance at 31 March	**(1,490,937)**	**(1,504,981)**

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

	31 March 2018	31 March 2017
	£'000	£'000
Balance at 1 April	8,844	4,563
Revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	750	4,281
Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	(8,744)	-
Balance at 31 March	**850**	**8,844**

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 2018 will be charged to the General Fund over the next 42 years.

	2017/18	2017/18	2016/17	2016/17
	£'000	£'000	£'000	£'000
Balance at 1 April		7,609		7,927
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement				
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(177)		(318)	
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		(177)		(318)
Balance at 31 March		**7,432**		**7,609**

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 Council 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 Council makes employer's contributions to the pension fund 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 Council 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.

	2017/18 £'000	2016/17 £'000
Balance at 1 April	921,012	708,587
Remeasurements on pensions assets and liabilities	(87,543)	191,904
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	75,131	72,291
Employer's pensions contributions and direct payments to pensioners payable in the year	(47,344)	(51,770)
Balance at 31 March	**861,256**	**921,012**

Collection Fund Adjustment Account

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

	2017/18 £'000	2016/17 £'000
Balance at 1 April	(3,545)	2,383
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	9,250	(5,928)
Balance at 31 March	**5,705**	**(3,545)**

Accumulated Absences 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.

	2017/18 £'000	2017/18 £'000	2016/17 £'000	2016/17 £'000
Balance at 1 April		**6,901**		**5,425**
Settlement or cancellation of accrual made at the end of the preceding year	(6,901)		(5,425)	
Amounts accrued at the end of the current year	4,522		6,901	
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		(2,379)		1,476
Balance at 31 March		**4,522**		**6,901**

33 Pensions

a Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in three 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 2017/18 the Council paid an employer's contribution rate of 22.5% (22.3% in 2016/17), resulting in total payments of service deficit, as assessed by the Fund Actuary. The Actuary carries out a full valuation of the Fund every three years in accordance with government regulations. The last valuation of the Fund was undertaken at 31 March 2016, the next full valuation is therefore due at March 2019. If the valuation indicates that there are insufficient assets to meet future liabilities, employer contribution rates are increased to make up the shortfall. As indicated above, the Council paid a contribution rate of 22.5% from 1 April 2017, representing 14.5% in respect of future service and 8% to meet the deficit recovery element.

The Teachers' Pension Scheme - The rate of contribution for 2017/18 was 22.3%, resulting in a total payment of £8.198m (£8.980m in 2016/17) to the Teachers' Pension Agency. In addition, the Council made payments totalling £2.36m (£2.36m in 2016/17) 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 £1.814m (£1.855m in 2016/17). The estimated liability for unfunded payments has been calculated by the actuary and is included in the Balance Sheet.

The National Health Service Pension Scheme – In 2017/18 a total payment of £0.51m (£0.51m in 2016/17) was made to the NHS Pension Scheme, following the transfer of public health responsibilities from primary care trusts.

b Accounting 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, IAS19. The adjustments included in the Comprehensive Income and Expenditure Account to comply with IAS19 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	
	2017/18	2016/17	**2017/18**	2016/17
	£'000	£'000	**£'000**	£'000
Income and Expenditure Account				
Net cost of services				
Current service cost	**61,116**	43,989	**-**	-
Past service gains/curtailment costs/Settlements	**(8,225)**	3,821	**-**	-
Administration expense	**866**	929	**-**	-
Financing and Investment Income Expenditure				
Net interest cost	**19,621**	21,341	**1,753**	2,211
Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services	**73,378**	70,080	**1,753**	2,211
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement				
Remeasurements (assets/liabilities)	**89,127**	184,799	**(1,584)**	7,105
Movement in Reserves Statement				
Reversal of net charges made for retirement benefits in accordance with IAS19	**(73,378)**	(70,080)	**(1,753)**	(2,211)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employer's contributions payable to scheme	**43,196**	47,552	**4,178**	4,218

The Housing Revenue Account (HRA) Income and Expenditure Account has also been adjusted in 2017/18 to reflect the current service cost and an appropriate share of the net interest cost. The latter item has been apportioned to the HRA on the basis of pensionable pay.

c Assets and Liabilities in relation to Retirement Benefits

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Local Government Pension Scheme		Unfunded liabilities: Teachers' Unfunded Pensions		Total Liability Local Government & Teachers Pensions	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
01-Apr	**(2,431,890)**	(2,015,831)	**(44,625)**	(40,808)	**(72,225)**	(67,128)	**(2,548,740)**	(2,123,767)
Current service cost	(61,116)	(43,989)	-	-	-	-	**(61,116)**	(43,989)
Interest on pension liabilities	(59,895)	(69,590)	(1,080)	(1,377)	(1,753)	(2,211)	**(62,728)**	(73,178)
Contributions by scheme participants	(11,273)	(12,121)	-	-	-	-	**(11,273)**	(12,121)
Remeasurement (liabilities)								
Experience (gain)/loss	-	106,155	-	763	-	1,225	**-**	108,143
(Gain)/loss on financial assumptions	94,817	(469,653)	961	(6,218)	1,584	(9,125)	**97,362**	(484,996)
(Gain)/loss on demographic assumptions	-	8,069	-	124	-	796	**-**	8,989
Benefits paid	67,427	66,223	2,831	2,891	4,178	4,218	**74,436**	73,332
Past service grants, curtailment costs and settlements	10,948	(1,153)	-	-	-	-	**10,948**	(1,153)
31-Mar	**(2,390,982)**	(2,431,890)	**(41,913)**	(44,625)	**(68,216)**	(72,225)	**(2,501,111)**	(2,584,740)

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

	2017/18 £'000	2016/17 £'000
1 April	1,627,833	1,430,637
Interest on plan assets	41,354	49,626
Remeasurement (assets)	(9,819)	175,960
Administration expense	(866)	(929)
Settlements	(2,723)	(2,668)
Employer contributions	72,070	32,200
Contributions by scheme participants	11,273	12,121
Benefits paid	(70,258)	(69,114)
31 March	**1,668,864**	**1,627,833**

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 plan assets in the year was £(31.5m) (2016/17: £(246.7m)).

Scheme History – Pension Assets and Liabilities Recognised in the Balance Sheet:

	2017/18 £'000	2016/17 £'000	2015/16 £'000	2014/15 £'000
Present value of liabilities:				
Local Government Pension Scheme	(2,432,895)	(2,476,515)	(2,056,639)	(2,108,890)
Teachers' unfunded liabilities	(68,216)	(72,225)	(67,128)	(71,257)
Fair value of assets in the Local Government Pension Scheme	1,668,864	1,627,833	1,430,637	1,475,150
Surplus/(deficit) in the scheme:				
Local Government Pension Scheme	(764,031)	(848,682)	(626,002)	(633,740)
Teachers' unfunded liabilities	(68,216)	(72,225)	(67,128)	(71,257)
Total	**(832,247)**	**(920,907)**	**(693,130)**	**(704,997)**

The total liabilities shown in the Balance Sheet comprise the above (£832,247k) together with a small amount in respect of pre-1974 liabilities (£105k) totalling (£832,352k).

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £832m (2016/17 £921m) impacts on the net worth of the Council as recorded in the Balance Sheet (£1,625m).

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 2019 are £33m.

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 2016.

The main financial assumptions used in the calculations are:

	Local Government Pension Scheme		Teachers	
	2017/18	2016/17	**2017/18**	2016/17
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	23.6	23.5	23.6	23.5
Women	26.1	26	26.1	26
Longevity at 75 for current pensioners:				
Men	-	-	14.5	14.4
Women	-	-	16.6	16.5
Longevity at 65 for future pensioners:				
Men	26.2	26	-	-
Women	28.8	28.7	-	-
	%	%	%	%
Rate for discounting scheme liabilities	2.6	2.5	2.5	2.5
Rate of inflation - CPI	2.1	2.3	2.3	2.3
Rate of increase in salaries	3.6	3.8	-	-
Rate of increase in pensions	2.2	2.3	2.3	2.3

The actuary has provided a sensitivity analysis for each significant actuarial assumption as at the end of the reporting period. The table below shows how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at the 31 March 2018.

Local Government Pension Scheme	Central £'000	Sensitivity 1 +0.1% p.a discount rate £'000	Sensitivity 2 +0.1% p.a inflation £'000	Sensitivity 3 +0.1% p.a pay growth £'000	Sensitivity 4 1 year increase in life expectancy £'000
Liabilities	2,432,895	2,391,020	2,475,504	2,438,422	2,480,138
Assets	(1,668,864)	(1,668,864)	(1,668,864)	(1,668,864)	(1,668,864)
Deficit/(Surplus)	764,031	722,156	806,640	769,558	811,274
Projected service cost for next year	56,628	54,932	58,397	56,628	57,780
Projected net interest cost for next year	19,490	19,109	20,635	19,671	20,755
Teachers' Unfunded Pension Scheme					
Liabilities	68,216	67,437	69,004	-	70,243
Assets	-	-	-	-	-
Deficit/(Surplus)	68,216	67,437	69,004	-	70,243
Projected net interest cost for next year	1,719	1,764	1,740	-	1,772

The following information disaggregates the fair value of the plan assets into classes that distinguish the nature and risks of those assets, subdividing each class of plan asset into those that have a quoted market price in an active market and those that do not:

Asset Category	Sub-Category	Quoted (Y/N)	31 March 2018 £'000	31 March 2017 £'000
Equities	UK Quoted	Y	236,979	240,919
	Global Quoted	Y	445,587	148,133
	North America	Y	-	139,994
	Japan	Y	-	37,440
	Europe excl UK	Y	-	81,392
	Pacific Rim excl Japan	Y	-	39,068
	Emerging Markets	Y	-	159,528
	Sub-total equities		**682,566**	**846,474**
Bonds	UK Government Indexed	Y	180,237	195,340
	Sterling Corporate Bonds	Y	203,601	128,599
	Sub-total bonds		**383,838**	**323,939**
Property	UK Property Funds	Y	71,704	68,369
	Overseas Property Funds	Y	76,825	73,252
	Sub-total property		**148,529**	**141,621**
Alternatives	Hedge Funds	Y	76,768	87,903
	Diversified Growth Funds	Y	220,290	144,877
	Infrastructure	Y	96,794	63,485
	Sub-total alternatives		**393,852**	**296,265**
Cash and equivalents	Cash Accounts	Y	60,079	19,534
	Sub-total cash		**60,079**	**19,534**
Total Assets			**1,668,864**	**1,627,833**

Governance and Risk Management

The liability associated with the Council's pension arrangements is material to the Council, as is the cash funding required. The details in relation to each arrangement, including the relevant provisions for governance and risk management, are set out below.

Avon Pension Fund:

Nature of Fund
The Fund targets a pension paid throughout life. The amount of pension depends on how long employees are active members of the scheme and their salary when they leave the scheme (a "final salary" scheme) for service up to 31 March 2013 and on a revalued average salary (a "career average" scheme) for service from 1 April 2014 onwards.

Governance
As administering authority, Bath and North East Somerset Council (B&NES), has legal responsibility for the pension fund as set out in the Local Government Pension Scheme Regulations. B&NES delegates its responsibility for administering the Fund to the Avon Pension Fund Committee, which is the formal decision making body for the Fund. The Avon Pension Fund Committee is responsible for the investment, funding, administration and communication strategies. It also monitors the performance of the fund, and approves and monitors compliance of statutory statements and policies required under the Regulations. The Committee is supported by an Investment Panel which considers the investment strategy and investment performance in greater depth.

Funding the liabilities
Regulations governing the Fund require actuarial valuations to be carried out every three years. Contributions for each employer are set having regard to their individual circumstances. The Regulations require the contributions to be set with a view to targeting the Fund's solvency, and the detailed provisions are set out in the Fund's Funding Strategy Statement. The most recent valuation was carried out as at 31 March 2016, which showed a shortfall of assets against liabilities of £597m as at that date, equivalent to a funding level of 86%. The fund's employers are paying additional contributions over a period of up to 17 years in order to meet the shortfall.

The weighted average duration of the Council's defined benefit obligation is 17 years, measured on the actuarial assumptions used for IAS19 purposes.

Risks and Investment strategy
The Avon Pension Fund does not have an explicit asset and liability matching strategy. The primary objective of its investment strategy is to generate positive real investment return above the rate of inflation for a given level of risk to meet the liabilities as they fall due over time. When setting the investment strategy, the expected volatility of the assets relative to the value placed on the liabilities was measured and taken into account. The aim of the strategy and management structure is to minimise the risk of a reduction in the value of the assets and maximise the opportunity for asset gains across the Fund.

To achieve its investment objective the Fund invests across a diverse range of assets such as equities, bonds, property and other alternative investments, and uses a number of investment managers. The risk management process identifies and mitigates the risks arising from the Fund's investment strategy and policies which are reviewed regularly to reflect changes in market conditions.

As a result of its investment strategy, the Fund is exposed to a variety of financial risks including market risk (market price, interest rate and currency risk), credit risk and liquidity risk.

Market Price / Interest rate / Currency risk
Market risk is the risk of loss from fluctuations in market prices, interest rates or currencies, to which the Fund is exposed across its investments portfolio. The objective of the investment strategy is to manage and control market risk within acceptable parameters, while optimising the return. Volatility in market risk is managed through diversification across asset class and investment managers.

The Fund has a high allocation to equities and therefore the fluctuation in equity prices is the largest market risk within the portfolio. The maturity profile of the Fund and strong underlying covenant underpins the allocation to equities which are expected to deliver higher returns over the long term.

Credit risk
Credit risk is the risk that the counterparty to a financial instrument or transaction will fail to meet an obligation and cause the Fund to incur a financial loss. As the market values of investments reflect an assessment of creditworthiness in their pricing, the risk of loss is implicitly provided for in the carrying value of the assets and liabilities.

Liquidity risk
Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The investment strategy and cash management policy ensure that the pension fund has adequate cash to meet its working requirements. The Fund has immediate access to its cash holdings and a substantial portion of the Fund's investments consist of readily realisable securities, in particular equities and fixed income investments. The main liabilities of the Fund are the benefits payable as they fall due over a long period and the investment strategy reflects the long term nature of these liabilities.

Other risks
Actions taken by the Government, or changes to European legislation, could result in stronger local funding standards, which could materially affect the Council's cash flow.

There is a risk that changes in the assumptions (e.g. life expectancy, price inflation, discount rate) could increase the defined benefit obligation and/or the liabilities for actuarial valuation purposes. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material. The sensitivity analysis above indicates the change in the defined benefit obligation for changes in the key assumptions.

Amendments, curtailments and settlements
The provisions of the Fund were amended with effect from 1 April 2014. As explained above, for service up to 31 March 2014, benefits were based on salaries when members leave the scheme, whereas for service after that date, benefits are based on career average salary. Further details of the changes are available from the Council.

Curtailments shown in the accounting figures relate to the cost of providing retirement benefits for members who retire early, to the extent that provision has not already been made for the relevant defined benefit obligations.

Settlements shown in the accounting figures relate to the admission of new employers into the Fund, and who take on part of the authority's assets and liabilities as a result of employing members who have accrued benefits with the authority.

Schemes for Teachers and Public Health Workers:

Nature of Funds
The Funds target a pension paid throughout life. The amount of pension depends on how long employees are active members of the scheme and their salary when they leave the scheme (a "final salary" scheme) for service up to 31 March 2014 and on a revalued average salary (a "career average" scheme) for service from 1 April 2015 onwards.

Governance
These arrangements are managed centrally by government departments/agencies, and there is no material involvement for the Council.

Funding the liabilities
Contributions to the arrangements are set by the Government, having taken advice from the Government Actuary. Again, the Council has no material involvement in this process. The exception to this is the additional pensions to retired teachers which were awarded at the point of retirement, and for which the Council is responsible. The weighted average duration of these particular liabilities is 11 years, measured on the actuarial assumptions used for IAS19 purposes.

Investment Risks
There are no investment risks in relation to these arrangements, given their unfunded nature. The greatest single risk is that the government could change the funding standards relating to them, which could increase the Council's contributions to them.

Other risks
There is a risk that changes in the assumptions (e.g. life expectancy, price inflation, discount rate) could increase the defined benefit obligation. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material. The sensitivity analysis above indicates the change in the defined benefit obligation for changes in the key assumptions.

The methods used to carry out the sensitivity analyses presented above for the material assumptions are the same as those the authority has used previously. The calculations alter the relevant assumption by the amount specified, whilst assuming that all other variables remain the same. This approach is not necessarily realistic, since some assumptions are related: for example, if the scenario is to show the effect if inflation is higher than expected, it might be reasonable to expect that nominal yields on corporate bonds will increase also. However, it enables the reader to isolate one effect from another.

e History of experience gains and losses

The approach to calculating the IAS19 figures in between full actuarial valuations every three years is approximate in nature. At each valuation, the position is re-assessed, with the assets and liabilities being fully recalculated. Following each full actuarial valuation an adjustment is made to the assets and liabilities to bring the previously estimated IAS19 figures into line with the more accurately calculated ones. Examples of events which this would cover are mortality and other demographic experience being different from the IAS19 assumptions. The experience gains/(losses) on assets and liabilities is shown as part of Remeasurements.

34 Cash Flow Statement

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

	2017/18 £'000	2016/17 £'000
Interest received	7,313	6,099
Interest paid	(42,902)	(35,337)
Dividends received	2,589	2,662

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

	2017/18 £'000	2016/17 £'000
Depreciation, impairment and downward revaluations	83,501	(55,675)
Amortisation	4,590	1,840
Increase/(decrease) in impairment for bad debt	1,400	-
(Decrease)/increase in creditors	(2,786)	5,933
(Increase)/decrease in debtors	(5,904)	(1,499)
(Increase)/decrease in inventories	16	(367)
Movement in pension liability	(1,117)	20,521
Contributions to/(from) Provisions	14,396	603
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	44,205	23,927
Other non-cash items charged to the net surplus or deficit On the provision of services	(18,269)	(18,381)
Net cash flows from non-cash movements	**120,032**	**(23,097)**

Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities:

	2017/18 £'000	2016/17 £'000
Capital grants credited to surplus or deficit on the provision of services	(44,705)	(57,275)
Proceeds from the sale of Property Plant and Equipment, Investment Property and Intangible Assets	(30,479)	(29,296)
	(75,184)	**(86,571)**

35 Cash Flow Statement - Investing Activities

	2017/18 £'000	2016/17 £'000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(111,348)	(161,859)
Purchase of short-term and long-term investments	(48,903)	(43,195)
Other receipts/(payments) for investing activities	2,536	(250)
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	28,326	29,109
Proceeds from short-term and long-term investments	56,903	114,488
Capital Grants Received	60,736	35,134
Other receipts from investing activities	4,523	8,358
Net cash flows from investing activities	**(7,227)**	**(18,215)**

36 Cash flow Statement - Financing Activities

	2017/18 £'000	2016/17 £'000
Cash receipts of short- and long-term borrowing	-	19,200
Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	(6,367)	(5,615)
Repayments of short- and long-term borrowing	(3,000)	(2,235)
Council Tax and NNDR adjustments	(18,863)	9,373
Net cash flows from financing activities	**(28,230)**	**20,723**

37 Related Parties

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

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

Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates. It provides the majority of its funding in the form of grants, which are disclosed in Note 17.

The Council has interests in a number of companies over which it has significant influence or control as set out below.

Name	Nature of Council relationship	Net assets/ (liabilities)	Transactions with the Council	Nature of transactions	Balances owed to / (from) the Council as at 31 3 2018	Future financial support expected in 2018/19	Key risks identified
Bristol Waste Company	100% subsidiary of Bristol Holding Limited The City Council has three Director posts on the Board.	£3.9m per draft accounts as at 31 March 2018	£27.9m payments by Council to company £1.6m recharges from Company to Council	Contract for waste collection and recycling services Recharges	£2.88m owed by the Council. £335k owed to the Council	Nil – payments are made for work done in line with contract terms	Low risk – company is trading profitably and delivering services as agreed
Bristol Holdings Limited	100% subsidiary The City Council has two Director posts on the Board.	(£432k) per draft accounts as at 31 March 2018	£7m payments by Council to company	Purchase of shares	£1.4m owed to the Council for preference share interest	See below	See below
Bristol Energy Limited (formally Bristol Energy & Technology Services (Supply) Limited	100% subsidiary of Bristol Holdings Limited The City Council has two Director posts on the Board.	(£446k) per draft accounts as at 31 March 2018	£578k recharges from the Council £2.4m sales of energy to the Council	Recharges and the sale of energy	£6.95m of guarantees issued by the Council with a total in year exposure of £4.5m	Further funding may be required until the company reaches breakeven point	Key risk is the company's ability to attract and retain customers in a competitive market

Name	Nature of Council relationship	Net assets/ (liabilities)	Transactions with the Council	Nature of transactions	Balances owed to / (from) the Council as at 31 3 2018	Future financial support expected in 2018/19	Key risks identified
Bristol Energy & Technology Services (Supply) Limited (formally Bristol Energy Ltd)	100% subsidiary of Bristol Holdings Limited The City Council has two Director posts on the Board. The company is currently dormant.	£1	None	N/A	Nil	Nil	None
Bristol is Open Limited	50/50 joint venture with Bristol University The City Council has two Director posts on the Board.	(£79k) per March 2018 management accounts	£None	N/A	Nil	Further funding may be required if the company continues to trade at a deficit	Low risk – sums involved are not significant in the context of the Council's overall net budget.
Bristol Local Education Partnership (LEP) Ltd	Joint venture with BCC holding 10%, Building Schools for the Future Investments (Bristol) Ltd 10% and Skanska Infrastructure Development UK Limited 80%	£249k per December 2017 audited accounts	£17.199m payments to the company	Provision of ICT and construction services to schools in Bristol.	£850k owed by the Council £185k owed to the Council	Nil – payments are made for work done in line with contract terms	Low risk – company is trading profitably and delivering services as agreed

West of England Partnership

Four unitary authorities - Bath & North East Somerset Council, Bristol City Council, North Somerset Council and South Gloucestershire Council - continue to work together and co-ordinate high level planning to improve the quality of life of their residents and provide for a growing population. This joint work focuses on activities that are better planned at the West of England level, rather than at the level of the individual council areas.

The partnership is not a partnership in law, nor a formal decision making body, and does not have the power to bind the four unitaries. The partnership's activity is integrated into the West of England Local Enterprise Partnership (LEP), which promotes economic growth and prosperity through its key themes of Place, People and Business

38 Transfer of Functions

As part of the West of England devolution deal, South Gloucestershire, Bristol and Bath & North East Somerset Councils agreed to the establishment of the West of England Combined Authority to support economic growth and development across the region. Under the devolution deal certain functions were transferred from the constituent authorities to the WECA from 1st April 2017. These included concessionary fares, community transport, key route network development and bus service information. WECA has commissioned South Gloucestershire Council to provide concessionary fares on its behalf during 2017/18.

WECA levies the constituent authorities for the cost of the services for which it is now responsible. In 2016/17, the cost for the year would be shown in the CIES as a Net Cost of Service against the Place line. In 2017/18, it is shown under Other Operating Expenditure. The value of the levy in 2017/18 is £8.475m. There has been no change to the council's assets or liabilities arising from the transfer of functions to WECA.

39 Contingent Liabilities

The City Council has received five separate applications from NHS bodies and trusts for mandatory charitable business rate (NNDR) relief. The applications are for 80% mandatory charitable relief backdated to 2010. The Council has sought legal guidance and, as a result, has declined all applications. A number of NHS bodies have begun legal action against local authorities. The City Council is not involved in any of these cases.

Bristol North Swimming Baths: A former contractor (in administration) may bring claims (as yet unparticularised) in respect of this project following termination of a contract in December 2015. The Council does not accept any liability in this regard and will defend any legal claims arising.

The Council has provided operational guarantees on behalf of one of its wholly owned subsidiaries (see Note 38). The guarantees limit the Council's financial exposure to £4.5m. To date none of the conditions or events which would lead to a liability arising from either of these guarantees has occurred.

The Council has 59 tower blocks in total, of which 34 blocks are cladded and a further 3 blocks are currently in the process of being cladded. Following the Grenfell Tower tragedy the Council has, in addition to its own safety checks, began commissioning independent checks of our entire high rise cladding systems and materials to evidence that our blocks are safe. The materials used is different and of different design to that employed at Grenfell and there is no evidence to suggest that we will need to remove any cladding at this point in time. We have earmarked funds in our HRA Business Plan for general tower block maintenance and improvements and will continue to monitor its sufficiency as findings from our own independent checks are concluded.

In addition to the above an independent Public enquiry has been commissioned by the Government into the Grenfell tower tragedy and there is a risk that new regulations or measures emerge that will need to be implemented to ensure people living in high rise buildings are safe. These may not be fully funded from central government leaving a residual liability to the Council.

40 Trust Funds

2016/17				2017/18		
Income	Exp	Assets		Income	Exp	Assets
£000	£000	£000	Name	£000	£000	£000
			Trust funds for which the Council is custodian trustee			
219	244	132	Bristol Museums Development Trust	218	234	117
			Other funds managed by the Council			
-	39	-	Funds invested on behalf of Bristol Adult Care	-	-	-
-	-	26	Funds invested on behalf of Bristol CYPS	-	-	19
219	**283**	**158**		**218**	**234**	**136**

Bristol Museums Development Trust raises funds to assist the Council with exhibitions and projects taking place at libraries, art galleries and museums. The Council provides financial, administrative and other support services to the Trust and manages the bank account on its behalf.

The Council administered funds on behalf of Bristol Care & Support (Adults). These were a mixture of bequests and sums held in trust for vulnerable adults. The balances on these Trust Funds were historic and a decision was taken not to roll the balance forward into 2017/18 and so it was declared as underspend in 2017/18.

The Councils administers funds on behalf of Bristol Children & Families, Care & Support. The funds are held in trust for young people in care. Surplus funds are invested with the Council at 0.21% rate of interest.

HRA Income and Expenditure 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, service charges 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.

	Note	2017/18 Net £'000	2016/17 Net £'000
Expenditure			
Repairs and maintenance		28,722	35,049
Supervision and management		26,090	32,440
Special services		7,911	7,978
Rent, rates, taxes and other charges		1,661	1,049
Depreciation and impairment of non-current assets	4	26,917	(101,183)
Debt management		29	62
Debt write offs and movement in the allowance for bad debts		1,542	2,013
Total expenditure		92,872	(22,592)
Income			
Dwelling rents	2	(112,000)	(113,461)
Non-dwelling rents		(1,024)	(1,039)
Charges for services and facilities		(8,070)	(8,043)
Contributions towards expenditure		(257)	(669)
Total income		(121,351)	(123,212)
Net cost of HRA services as included in the Comprehensive Income and Expenditure Statement		**(28,479)**	**(145,804)**
Net cost of HRA services		**(28,479)**	**(145,804)**
(Gain) on sale of HRA non-current assets		(7,272)	(6,234)
Movement in the Fair Value of Investment Properties		(2,676)	(463)
Interest payable and similar charges		11,120	11,227
HRA interest and investment income		(456)	(609)
Pensions interest costs and expected return on assets	5	2,266	2,293
(Surplus) for the year on HRA services		**(25,497)**	**(139,590)**

Statement of movement on the HRA Balance

	Note	31 March 2018 Net £'000	31 March 2017 Net £'000
HRA balance brought forward		(54,237)	(49,437)
(Surplus) for the year on the HRA Income and Expenditure Account		(25,497)	(139,590)
Adjustments between accounting basis and funding basis under statute		9,910	138,317
(Increase) before reserve transfers		**(15,587)**	**(1,273)**
Transfer from/to reserves		(1,445)	(3,527)
Net (increase) on HRA balance		**(17,032)**	**(4,800)**
HRA balance carried forward	11	**(71,269)**	**(54,237)**

Note to the statement of movement on the HRA Balance

	Note	31 March 2018 Net £'000	31 March 2017 Net £'000
Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year			
Depreciation and impairment of property, plant & equipment	4	(26,917)	101,183
Fair value movements on investment properties		2,676	463
Net charges made for retirement benefits in accordance with IAS19	5	(8,743)	(6,575)
Net gain/loss on disposal of assets		7,272	6,234
		(25,712)	101,305
Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year			
Capital expenditure funded by the HRA	6	5,948	77
Employer's contributions payable to the Avon Pension Fund and retirement benefits payable direct to pensioners	5	4,148	5,040
Transfer to Major Repairs Reserve	8	-	7,036
HRA depreciation to Major Repairs Reserve	8	25,526	24,718
Amortisation of premiums		-	141
		35,622	**37,012**
Net additional amount required by statute to be debited or credited to the HRA Balance for the year		**9,910**	**138,317**

Notes to the Housing Revenue Account

1 Dwelling numbers as at 31 March 2018

	31 March 2018	31 March 2017
Houses		
1 Bedroom	16	8
2 Bedrooms	2,078	2,120
3 Bedrooms	8,920	9,006
4 or more Bedrooms	386	387
Total Houses	**11,400**	**11,521**
Bungalows		
1 Bedroom	344	340
2 Bedrooms	700	689
3 Bedrooms	26	26
Total Bungalows	**1,070**	**1,055**
Flats		
1 Bedroom	6,493	6,500
2 Bedrooms	7,633	7,673
3 Bedrooms	425	430
4 or more Bedrooms	17	19
Total Flats	**14,568**	**14,622**
Total Dwellings held at 31 March 2018	**27,038**	**27,198**

2 Rent and Rent Arrears

The total value of dwelling rents in 2017/18, less rent attributable to empty properties (voids), is £112m (£113m in 2016/17). The amount of rent arrears, including recoverable housing benefit, water charges, defect charges, etc:

As at 31 March	**2018**	**2017**
	£'000	**£'000**
Former tenants	2,697	2,774
Current tenants	8,071	8,025
	10,768	**10,799**
Balance Sheet Provision		
Former tenants	2,505	2,591
Current tenants	6,174	5,871
	8,679	**8,462**

Vacant Possession

The vacant possession value of dwellings as at 1st April 2018 was £4.732bn The value of dwellings in the balance sheet (excluding dwellings leased to Registered Social Landlords) was £1.656bn, a difference of £3.076bn This difference reflects the economic cost of providing council housing at less than market rent. This cost is determined by applying the Government prescribed discount rate of 35% of the Market Value to the vacant possession value.

3 Sums Directed by the Secretary of State to be Debited or Credited to the HRA

In 2017/18 there were no sums approved by the Secretary of State to be debited to the HRA in relation to the transfer of rent rebates from the HRA to the General Fund.

4 Depreciation and impairment

		2017/18	2016/17
		£'000	£'000
Depreciation			
Operation	- Dwellings	24,928	24,718
	- Other, including leased	598	699
Total depreciation		**25,526**	**25,417**
Revaluation losses		1,391	-
Reversal of impairment losses		-	(126,600)
Total depreciation and impairment		**26,917**	**(101,183)**

Impairment

There was a loss on revaluation of £1.391m charged to the surplus on provision of Services (2016/17: (£126m) reversal of an impairment loss)

5 HRA Share of Contributions to/from Pension Reserve

For 2017/18 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 £2.266k (2016/17 £2,293k). 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 statement also includes the current service cost as required by IAS19 of (£8,743k) (2016/17 (£6,575k)). This is excluded from the HRA Balance for the year and replaced with Employers Contributions payable £4,148k (2016/17(£5,040k)) with the net movement on the Pension reserves of £4,596k (2016/17 £1,535k). Further information regarding the accounting for pensions is included in the notes to the consolidated revenue account and balance sheet, see note 33.

6 Capital Expenditure and financing

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

Expenditure	2017/18	2016/17
	£'000	£'000
Dwellings	31,409	48,768
Other Assets	969	-
	32,378	**48,768**

Financing	2017/18	2016/17
	£'000	£'000
Usable capital receipts	2,129	15,115
Revenue contributions to capital	5,948	77
Major Repairs Reserve	24,301	33,576
	32,378	**48,768**

7 Capital Receipts

Capital receipts received during the year from disposals of land, houses and other property within the HRA was £16.7m (£19.6m in 2016/17). The receipts are summarised as follows:

	2017/18 £'000	2016/17 £'000
Receipts unapplied brought forward - 1 April	41,969	39,798
Right to Buy sales	16,108	14,627
Mortgage repayments	10	14
Disposal of Land and Buildings	590	5,027
	58,677	**59,466**
Allowable reductions		
Repaid to MHCLG	(6,055)	(2,381)
Capital receipts applied	(2,129)	
Capital receipts applied to GF	(1,500)	(15,116)
Capital receipts unapplied carried forward - 31 March	**48,993**	**41,969**

8 Major Repairs Reserve

	2017/18 £'000	2016/17 £'000
Balance brought forward - 1 April	**-**	**(1,822)**
Capital expenditure (dwellings)	24,301	33,576
Major Repairs Allowance set aside in year	(25,526)	(24,718)
Excess depreciation credited to Statement of Movement on HRA Balance	-	(7,036)
Balance carried forward - 31 March	**(1,225)**	**-**

Depreciation has been calculated in accordance with our accounting policies for all HRA assets. We have used the Keystone component accounting information for Dwelling as a proxy for component accounting and Corporate Asset Management system for Non-Dwelling.

The MRA was £25.5m for 2016/17 (2016/17 - £31.7m). £24.3m was used to finance appropriate Housing Revenue Account capital expenditure.

9 Balance Sheet Value of Land and Houses, etc

	2017/18 £'000	2016/17 £'000
Dwellings	1,656,465	1,477,193
Land	16,179	17,942
Other assets	21,694	24,487
	1,694,338	**1,519,622**

10 Asset Split

	2017/18 £'000	2016/17 £'000
Operational - dwellings	1,656,465	1,477,193
Operational - other land and buildings	30,496	37,411
Non-operational	7,377	5,018
Intangible	969	-
Other	6	16
	1,695,313	**1,519,638**

11 Reserves

The details of reserves and provisions held within the HRA (excluding those already shown in Note 20 above) are summarised as follows:

	2017/18 £'000	2016/17 £'000
Reserves		
HRA balance	71,269	54,237
Other reserves		
Furniture Packs	1,091	1,103
CCTV	255	392
Energy efficiency	3,198	2,988
Improving Tenants Experience	1,184	2,691
Other	1,616	1,616
Sub-total other reserves	**7,344**	**8,790**
Total reserves	**78,613**	**63,027**

Collection Fund

Collection Fund Income and Expenditure Account

31 March 2017					31 March 2018		
£'000	£'000	£'000			**£'000**	**£'000**	**£'000**
Business Rates	Council Tax			**Note**	**Business Rates**	**Council Tax**	**Total**
			Income				
	214,094	214,094	Council Tax	2	-	227,200	227,200
219,804		219,804	Non- Domestic Rates	3	219,119	-	219,119
(6,545)		(6,545)	Transitional Protection Payment		(6,050)	-	(6,050)
2,102		2,102	Prior Period Adjustment			-	
			Contributions towards previous years Collection Fund deficit:				
7,805		7,805	Bristol City Council				
159		159	Avon Fire Authority				
7,964		7,964	Central Government				
231,289	**214,094**	**445,383**			**213,069**	**227,200**	**440,269**
			Expenditure				
			Apportionment of Previous Year Surplus				
-	3,787	3,787	Bristol City Council		6,455	3,945	10,400
-	466	466	Avon & Somerset Police and Crime Commissioner			477	477
-	178	178	Avon Fire Authority		132	182	314
-	-	-	Central Government		6,586	-	6,586
-	4,431	4,431		4	13,173	4,604	17,777
			Precepts, Demands and Shares				
108,136	-	108,136	Central Government			-	
105,974	178,403	284,377	Bristol City Council		192,396	192,162	384,558
	21,560	21,560	Avon & Somerset Police and Crime Commissioner		-	22,559	22,559
			West of England Combined Authority		10,234		10,234
2,164	8,215	10,379	Avon Fire Authority		2,047	8,596	10,643
216,274	208,178	424,452			204,677	223,317	427,994
			Charges to Collection Fund				
468	1,477	1945	Write offs of uncollectable amounts		1,004	1,983	2,987
2,041	656	2,697	Increase/ (Decrease) in Bad Debt provision		338	285	623
722	-	722	Costs of Collection Allowance		716	-	716
5,348	-	4,589	Disregarded Amounts		4,017	-	4,017
			Prior Year Adjustment		(758)	-	(758)
8,008	-	8,009	Decrease provision for appeals/ back-dated appeals		2,541	-	2,541
16,587	2,133	17,962			7,858	2,268	10,126
(1,572)	**(648)**	**(1,462)**	**Surplus / (Deficit) for the Year**		**(12,639)**	**(2,989)**	**(15,628)**
487	5,409	5,896	**Surplus / (Deficit) as at 1 April**		(1,085)	4,761	3,676
(1,085)	**4,761**	**4,434**	**Surplus / (Deficit) as at 31 March**		**(13,724)**	**1772**	**(11,952)**

Notes to the Collection Fund Income and Expenditure Account

1 General

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates. 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 and Somerset Police and Crime Commissioner and the Avon Fire Authority for the forthcoming year and dividing this by the council tax base of 124,083 for 2017/18 (120,946 for 2016/17). 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 £1,799.75 for 2017/18 (£1,721.25 for 2016/17) is multiplied by the proportion specified for the particular band to give an individual amount due.

Calculation of the Council Tax Base used in setting the 2017/18 Council Tax:

	BANDS									
	A Entitled to Disabled Relief	A	B	C	D	E	F	G	H	Total
No of Properties	-	50,718	72,502	38,487	17,843	9,512	4,730	2,839	335	196,966
Exemptions and disabled relief	29	-1,870	-1,368	-1,364	-1,135	-1,002	-148	-40	-41	-6,939
Less Discounts	-2	-5,582	-5,400	-2,530	-1,006	-455	-182	-107	-18	-15,282
Total Equivalent Dwellings	27	43,266	65,734	34,593	15,702	8,055	4,400	2,692	276	174,745
Ratio	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9	
Band D Equivalents	15	28,844	51,126	30,749	15,702	9,845	6,356	4,487	552	147,676
Add Changes re: Additional Properties										1,450
Additional Exemptions										-1,250
Council Tax Support										-21,903
Adjustments to reflect Discretionary Discounts										
Rate of Collection 98.5%										-1,890
Council Tax Base										124,083

3. Collection Fund balance sheet items have been apportioned as shown in the table below.

Council Tax	Total	Bristol City Council	Police Debtor	Fire Debtor
	£'000	£'000	£'000	£'000
Debtors	13,679	12,009	1,221	449
Bad Debt Allowance	(6,584)	(5,661)	(675)	(248)
Prepayments & Overpayments	(2,917)	(2,506)	(300)	(111)
Surplus / (Deficit) at 31 March	1,772	1,524	182	66

Business Rates	Total	Bristol City Council	West of England Combined Authority	Fire Creditor	Central Government
	£'000	£'000	£'000	£'000	£'000
Debtors	5,785	5,438	289	58	
Bad Debt Allowance	(2,486)	(2,336)	(124)	(26)	
Prepayments & Overpayments	(2,993)	(2,814)	(150)	(29)	
Appeals Provision	(25,229)	(23,716)	(1,261)	(252)	
Surplus / (Deficit) at 31 March	(13,725)	(6,826)	(11)	(138)	(6,750)

4. National Non-Domestic Rates (NNDR)

The Council collects NNDR for its area based on rateable values as determined by the Valuation Office Agency and reviewed on a 5 yearly basis. The last revaluation date was on 1 April 2017. The next revaluation is expected to be 1 April 2020, with valuations being effective from 1 April 2022.

Each year the Government specifies an amount known as the non-domestic rating multiplier and (subject to the effects of transitional 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 2017/18 the non-domestic rating multiplier was 47.9p (49.7p in 2016/17) and the small business non-domestic rating multiplier was 46.6p (48.4p in 2016/17).

As part of the governments West of England devolution deal Bristol, Bath and North West Somerset and South Gloucestershire Councils agreed to the establishment of the West of England Combined Authority (WECA) to support economic growth and development across the region. This also enabled the three Council's to take part in a 100% business rates retention pilot. As a result Bristol City Council is now responsible not only for collection of rates due from the ratepayers in its area but also for redistribution of the sums paid according to the following percentages: Bristol City Council: 94%, West of England Combined Authority 5% and Avon Fire Authority: 1%.

The NNDR income after reliefs and provisions was £213.069m for 2017/18 (£213.259m for 2016/17). The total rateable value at 31 March 2018 was £558.772m (£537.296m at 31 March 2017).

5. City Region Deal Growth Disregard

From 2015/16, the Council is allowed to retain 100% of the growth in Business Rates in its Enterprise area and Enterprise Zone. The growth is transferred to the Council's General Fund before being pooled with other participating authorities.

City Region Deal

Background

Under the City Region Deal, Bristol City, Bath & North East Somerset, North Somerset and South Gloucestershire Councils ("the Authorities") are part of a Business Rates Retention Scheme, introduced by the Government in April 2013, allowing Authorities to retain a proportion of the business rates collected locally. The Authorities are allowed to retain 100% of the growth in business rates raised in the City Regions network of Enterprise Areas over a 25 year period ending on 31/3/2039 to create an Economic Development Fund for the West of England and to manage local demographic and service pressures arising from economic growth.

A 'baseline' level of rates for each Authority has been agreed with the government for the areas designated within the Non-Domestic Rating (Designated Areas) Regulations 2015. Rates collected up to this figure (the baseline) are subject to the national rates retention system. Rates collected in excess of this figure (the 'growth figure') are retained by the Authorities under the Non-Domestic Rates Designated Area Regulations 2013 and 2014 in a pooling arrangement. The governance of the distribution of retained pooled funds will occur through a Business Rates Pooling Board constituted under the Business Rates Pooling Principles Agreement (BRPPA) signed by the four Authorities.

Transactions

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

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

Cash receivable and disbursements payable by the BRP and the Council's share of these are reflected under "Cash Transactions" in the table below. Expenditure and revenue recognised in the Council's CIES is also disclosed.

	CASH TRANSACTIONS		REVENUE AND EXPENDITURE	
	Business Rates Pool Total	of which the Council's share	Council Expenditure	Council Revenue
	£'000	£'000	£'000	£'000
Funds held by BRP at 1 April	(13,623)	(4,173)	-	-
Receipts into the Pool in-year				
- Growth sums payable by councils to BRP in-year	(16,084)	(4,444)	4,444	-
Distributions out of the Pool in-year				
-Tier 1 no worse off	5,949	2,131		(2,131)
-BRP management fee	37	9		-
-EDF management fee	64	16		-
-Tier 2 EDF Funding	1,705	386		(1,437)
-Tier 3 demographic and service pressures	1,624	393	-	(516)
Funds held by BRP at 31 March	**(20,328)**	**5,682**		
Analysed between:				
Uncommitted cash (Tier 2 inc contingency)	(16,731)	(4,660)	(1,559)	n/a
Committed cash (Tier 3)	(3,597)	(1,022)	n/a	n/a
	(20,328)	**(5,682)**		
Expenditure / (Revenue) recognised			**2,885**	**(4,084)**

As stated under the accounting policies, growth paid over to the BRP is recognised as expenditure by each council to the extent that the use of the funds by the BRP has been committed. Uncommitted cash is recognised by each council as a debtor.

The uncommitted cash of £4.660m contributed by the council and held by the BRP is recognised by the council as a debtor and is held in a new earmarked reserve to smooth the impact of City Region Deal transactions, and match the release of revenue support and charges for projects. The BRP has made one payment of £1.437m to Bristol City Council on behalf of the EDF in 2017/18 (2016/17 £1m.)

The Council itself has recognised revenue income of £4.084m (2016/17 £5.063m) from the BRP and expenditure of £2.885m (2016/17 £3.774m) to the BRP for the year.

Group Accounts

Introduction

The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (The Code) requires local authorities with interests in subsidiaries, associates and/or joint ventures to prepare group accounts in addition to their own single entity financial statements, unless their interest is not considered material. The aim of the Group Accounts is to provide the reader with an overall view of the material economic activities of the Council.

The Council has interests in a number of companies that are classified as a subsidiary or joint venture, all of which have been considered for consolidation. Three of these, Bristol Holding Limited, Bristol Waste Company Limited and Bristol Energy Limited (formally Bristol Energy and Technology Services (Supply) Limited) are considered to be material to the financial statements. Details of the companies considered for consolidation are shown below.

The Group Accounts contain the core statements similar in presentation to the Council's single entity accounts but consolidating the figures of the Council with, Bristol Holding Limited, Bristol Waste Company Limited and Bristol Energy Limited. Copies of the individual audited accounts are available from Companies House.

The purpose of each of the core statements is explained in the relevant sections of the single entity accounts. No amendments have been necessary to the accounts of the group entities as a result of material differences arising from the variation in accounting policies.

The following pages include:

- Group Comprehensive Income and Expenditure Statement
- Group Balance Sheet
- Group Movement in Reserves Statement
- Group Cash Flow Statement
- Associated Notes to the Accounts

Group Financial Statements

The Group Comprehensive Income and Expenditure Account as at 31 March 2018

This statement shows the accounting cost in the year of providing the Group's services in accordance with generally accepted accounting practices.

2016/17					2017/18		
Gross Exp	Gross Income	Net Exp		Note	Gross Exp	Gross Income	Net Exp
£'000	£'000	£'000			£'000	£'000	£'000
535,729	(298,911)	236,818	People inc DSG		529,295	(313,288)	216,007
63,822	(7,935)	55,887	Resources & City Director		50,475	(7,038)	43,437
316,862	(243,923)	72,939	Neighbourhoods inc Public Health		328,772	(260,265)	68,507
139,901	(80,116)	59,785	Place		169,522	(116,522)	53,000
(22,592)	(123,212)	(145,804)	Housing Revenue Account		92,872	(121,351)	(28,479)
7,523	(2,480)	5,043	Corporate Funding & Expenditure		(5,099)	(541)	(5,640)
1,041,245	**(756,577)**	**284,668**	**Cost of services**	**G1**	**1,165,837**	**(819,005)**	**346,832**
		(1,680)	Other operating expenditure				30,180
		20,871	Financing and investment income and expenditure	**G2**			28,514
			Tax expense of subsidiaries				(213)
		(409,456)	Taxation and non-specific grant income				(393,731)
		(105,597)	**(Surplus)Deficit on provision of services**				**11,582**
		(227,585)	Deficit on revaluation of Property, Plant and Equipment assets				(233,641)
		191,904	Remeasurement of the net defined benefit liability/asset				(87,543)
		302	Surplus\deficit on revaluation of available for sale financial assets				749
		(35,379)	**Other comprehensive income and expenditure**				(320,435)
		(140,976)	**Total comprehensive income and expenditure**				**(308,853)**

Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the group, analysed into usable reserves and other reserves.

	Note	General Fund Balance	Earmarked Reserves Restated	School Reserves	Sub Total - General Fund	Housing Revenue Account	Housing Revenue Account	Capital Receipts	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves (Note 32) Restated	Total Council Reserves Restated	Council Share of Subsidiaries	Total Group Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2016 Carried Forward		20,000	105,978	13,603	139,581	49,437	12,317	39,798	1,822	1,232	244,187	967,814	1,212,001	3,480	1,215,481
Movement in Reserves during 2016/17															
Surplus or (deficit) on the provision of services		(26,534)	-	-	(26,534)	139,590	-	-	-	-	113,056	-	113,056	(7,459)	105,597
Other Comprehensive Expenditure and Income		-	-	-	-	-	-	-	-	-	-	31,400	31,400	3,979	35,379
Total Comprehensive Expenditure and Income		(26,534)	-	-	(26,534)	139,590	-	-	-	-	113,056	31,400	144,456	(3,480)	140,976
Adjustments between accounting basis and funding basis under regulations		(22,142)	-	-	(22,142)	(138,317)	-	5,911	(1,822)	2,108	(154,262)	154,262	-		-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	Note 18	(48,676)	-	-	(48,676)	1,273	-	5,911	(1,822)	2,108	(41,206)	185,662	144,456	(3,480)	140,976
Transfers to/(from) Earmarked Reserves		48,676	(40,532)	(8,144)	-	3,527	(3,527)	-	-	-	-	-	-		-
Increase/(Decrease) in 2016/17	Note 19	-	(40,532)	(8,144)	(48,676)	4,800	(3,527)	5,911	(1,822)	2,108	(41,206)	185,662	144,456	(3,480)	140,976
															-
Balance at 31 March 2017 Carried Forward		20,000	65,446	5,459	90,905	54,237	8,790	45,709	-	3,340	202,981	1,153,476	1,356,457	-	1,356,457
															-
Movement in Reserves during 2017/18															-
Surplus or (deficit) on the provision of services		(38,767)	-	-	(38,767)	25,497	-	-	-	-	(13,270)	-	(13,270)	1,688	(11,582)
Other Comprehensive Expenditure and Income		-	-	-	-	-	-	-	-	-	-	329,178	329,178	(8,743)	320,435
Total Comprehensive Expenditure and Income		(38,767)	-	-	(38,767)	25,497	-	-	-	-	(13,270)	329,178	315,908	(7,055)	308,853
Adjustments between accounting basis and funding basis under regulations	Note 18	62,044	-	-	62,044	(9,910)	-	17,763	1,225	(336)	70,786	(70,786)	-		-
Net Increase/(Decrease) before Transfers to Earmarked Reserves		23,277	-	-	23,277	15,587	-	17,763	1,225	(336)	57,516	258,392	315,908	(7,055)	308,853
Transfers to/(from) Earmarked Reserves	Note 19	(23,277)	21,975	1,302	-	1,445	(1,445)	-	-	-	-	-	-		-
Increase/(Decrease) in 2017/18		-	21,975	1,302	23,277	17,032	(1,445)	17,763	1,225	(336)	57,516	258,392	315,908	(7,055)	308,853
															-
Balance at 31 March 2018 Carried Forward		20,000	87,421	6,761	114,182	71,269	7,345	63,472	1,225	3,004	260,497	1,411,868	1,672,365	(7,055)	1,665,310

Group Consolidated Balance Sheet as at 31 March 2018

31-Mar-16	31-Mar-17		Note	31-Mar-18
£'000	£'000			£'000
847,046	915,912	Property, Plant & Equipment		964,409
1,124,462	1,477,193	Council dwellings		1,656,465
198,851	198,851	Heritage Assets		201,094
9,149	10,259	Intangible Assets		10,901
240,328	253,976	Investment Property		255,415
3,292	7,852	Long Term Investments	G9	12,502
62,752	54,928	Long Term Debtors		46,872
2,485,880	2,918,971	**Long Term Assets**		**3,147,658**
118,668	33,180	Short Term Investments	G9	25,132
1,282	1,853	Inventories		2,376
106,194	116,124	Short Term Debtors	G3	126,150
32,876	40,239	Cash and Cash Equivalents		29,990
0	0	Assets held for sale		1,539
259,020	191,396	**Current assets**		**185,187**
(7,004)	(7,769)	Short Term Borrowing	G9	(4,997)
(135,146)	(155,297)	Short Term Creditors	G4	(143,354)
(5,438)	(2,384)	Provisions		(4,188)
(42,976)	(11,839)	Capital grants received in advance		(26,057)
(190,564)	(177,289)	**Current liabilities**		**(178,596)**
(414,289)	(430,489)	Long Term Borrowing	G9	(430,489)
(8,387)	(12,044)	Provisions		(24,637)
(902,207)	(1,122,680)	Other Long Term Liabilities		(1,027,094)
(13,972)	(11,408)	Capital Grants Receipts in Advance		(6,719)
(1,338,855)	(1,576,621)	**Long-term liabilities**		**(1,488,939)**
1,215,481	**1,356,457**	**Net assets**		**1,665,310**
(242,903)	(194,238)	Usable Reserves		(262,702)
(972,578)	(1,162,219)	Unusable Reserves	G5	(1,402,608)
(1,215,481)	**(1,356,457)**	**Total reserves**		**(1,665,310)**

Group Cash Flow Statement for the year ended 31 March 2018

The cash flow statement shows the changes to cash and cash equivalents of the Group during the reporting period. The statement shows how the group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

2016/17 £'000		Note	2017/18 £'000
105,594	Net surplus on the provision of services		(11,581)
(26,260)	Adjustment to net surplus on the provision of services for non-cash movements	G6	102,593
(86,597)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	G6	(75,184)
(7,263)	Net cash flows from Operating Activities		15,828
(18,973)	Investing Activities	G7	(7,907)
33,599	Financing Activities	G8	(18,170)
7,363	Net increase (decrease) in Cash and Cash Equivalents		(10,249)
32,876	Cash and Cash Equivalents at the beginning of the reporting period		40,239
40,239	**Cash and Cash Equivalents at the end of the reporting period**		**29,990**

Accounting Policies

Generally, the accounting policies for the group accounts are the same as those applied to the single entity financial statements, except for the following policies which are specific to the group accounts:

Basis of Identification of the Group Boundary

Group accounts are prepared by aggregating the transactions and balances of the Council and all its material subsidiaries, associates and joint arrangements. In its preparation of these Group Accounts, the Council has considered its relationship with entities that fall into the following categories:

- Subsidiaries – where the Council exercises control and gains benefits or has exposures to risks arising from this control. These entities are included in the group.
- Joint Arrangements (Joint Operations and Joint Ventures) – where the Council exercises joint control with one or more organisations. Where these are material they are included in the group.
- Associates – where the Council is an investor and has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee (stopping short of control or joint control.) It is presumed that holding 20% of the voting power of an investee (either directly or indirectly) brings significant influence but this presumption can be rebutted.
- No group relationship – where the body is not an entity in its own right or the Council has an insufficient interest in the entity to justify inclusion in the group financial statements. These entities are not included in the group.

In accordance with this requirement, the Council has determined its Group relationships as follows:

Bristol Holding Ltd	Subsidiary	Consolidated
Bristol Waste Company Ltd	Subsidiary	Consolidated
Bristol Energy Ltd (formally Bristol Energy and Technology Services (Supply) Ltd	Subsidiary	Consolidated
Bristol Energy and Technology Services (supply) Ltd	Subsidiary	Not Material – Dormant company
Local Education Partnership	Joint Venture	Not Material
Bristol is Open Ltd	Joint Venture	Not Material

The grounds for exclusion from consolidation of certain entities are not material to the true and fair view of the financial statements or to the understanding of the users.

Basis of Consolidation – Group Accounts

The Group Accounts have been prepared using the group accounts requirements of the Code. Companies or other reporting entities that are under the ultimate control of the Council have been included in the Council's group accounts to the extent that they are material to users of the financial statements in relation to their ability to see the complete economic activities of the Council and its exposure to risk through interests in other entities and participation in their activities.

Subsidiaries have been consolidated on a line by line basis, subject to the elimination of intra-group transactions from the statements, in accordance with the Code. Accounting policies have been aligned where applicable.

Bristol Holding Limited

Bristol Holding is a wholly owned subsidiary of the City Council, incorporated on 12 March 2015. The principal activity of the company is that of a holding company and the activities of the group are the provision of waste services and a gas and electric supply business in the UK with particular focus on residential customers.

On the 13 July 2015 the company acquired Bristol Energy and Technology Services (Supply) Limited for £100,000 and on 31 March 2016, the company acquired Bristol Waste Limited from Bristol City Council.

As at the 31 March 2018 the Council has invested £22.911m in Bristol Holding Limited. This was made up of £5.668m ordinary shares and £17.243 cumulative redeemable preference shares.

Bristol Waste Company Limited

Bristol Waste Company Limited is a wholly owned subsidiary of Bristol Holding Limited. The company was incorporated on 5 March 2015. From the 8 August 2015 the company has been providing waste collection, street cleaning and other maintenance services in Bristol.

Bristol Energy Limited (formally Bristol Energy and Technology Services (Supply) Limited)

Bristol Energy is a wholly owned subsidiary of Bristol Holding Limited incorporated on 17 July 2014. The company commenced trading on 23 November 2015 and launched its product offering to customers in February 2016. On 14 February 2018 a resolution was passed to authorise the Company to change its name to Bristol Energy Limited.

Bristol Energy and Technology Services (Supply) Limited (formally Bristol Energy Limited)

Bristol Energy and Technology Services (Supply) Limited is a wholly owned subsidiary of Bristol Holding Limited incorporated on 14 March 2016. The company is currently dormant. On 14 February 2018 a resolution was passed to authorise the Company to change its name to Bristol Energy and Technology Services (supply) Limited.

None of the other entities in which the City Council has an interest are considered material enough to merit consolidation into the Council's Group Accounts. Details of these can be found within the Related Parties note in the Council's single entity accounts (Note 37)

Group financial position

The closing net deficit balance of the group is £19.156m which takes into account previous years losses carried forward. This is in-line with the expectations set out in the company's business plan.

Notes to the Group Accounts

Where there are no material changes to the statements the notes are as per the Council's single entity accounts. Where consolidation has resulted in material changes additional notes are set out below.

G1 Net Cost of Services

The Net cost of Services in the consolidated CIES includes gross income of £50.7m and gross expenditure of £60.9m associated with Bristol Energy trading outside of the group boundary. Similarly the net cost of services includes gross income of £11.9m and gross expenditure of £11m associated with Bristol Waste trading outside of the group boundary.

G2 Financing and Investment Income and Expenditure

	2017/18 £'000	2016/17 £'000
Interest payable and similar charges	36,608	35,258
Pensions net interest cost	21,374	23,551
Interest receivable and similar income	(9,859)	(8,761)
Income and expenditure in relation to Investment Properties	(10,991)	(10,796)
Changes in fair value of Investment Properties	(8,618)	(18,381)
Total	**28,514**	**20,871**

G3 Current Debtors

Current debtors	**31 March 2018 £'000**	**31 March 2017 £'000**
Central government bodies	35,415	25,210
Other local authorities	12,186	14,653
NHS bodies	4,139	5,603
Other entities and individuals	74,410	70,658
Total	**126,150**	**116,124**

G4 Creditors

Current liabilities	31 March 2018 £'000	31 March 2017 £'000
Service Concession contract liabilities (see Note 27)	-	-
Central government bodies	45,239	51,637
Other local authorities	6,982	10,928
NHS bodies	1,192	2,748
Other entities and individuals	89,941	89,984
Total	**143,354**	**155,297**

G5 Unusable Reserves

	31 March 2018 £'000	31 March 2017 Restated £'000
Revaluation Reserve	(800,696)	(589,316)
Capital Adjustment Account	(1,4,80,127)	(1,504,981)
Available for Sale Financial Instruments	850	101
Financial Instruments Adjustment Account	7,432	7,609
Pensions Reserve	859,706	921,012
Collection Fund Adjustment Account	5,705	(3,545)
Accumulated Absences Account	4,522	6,901
	(1,402,608)	**(1,162,219)**

G6 Cash Flow Statement

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

	2017/18 £'000	2016/17 £'000
Interest received	7,318	6,117
Interest paid	(44,146)	(35,342)
Dividends received	2,589	2,662

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

	2017/18 £'000	2016/17 £'000
Depreciation, impairment and downward revaluations	72,388	(54,219)
Amortisation	5,705	1,090
Increase/(decrease) in impairment for bad debt	1,400	-
(Decrease)/increase in creditors	(1,442)	8,865
(Increase)/decrease in debtors	(13,251)	(9,433)
(Increase)/decrease in inventories	(523)	(557)
Movement in pension liability	(1,866)	21,993
Contributions to/(from) provisions	14,396	603
Carrying amount of non-current assets held for sale, sold or derecognised	44,205	23,927
Other non-cash items charged to the net surplus or deficit On the provision of services	(18,419)	(18,529)
Net cash flows from non-cash movements	**102,593**	**(26,260)**

Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities:

	2017/18 £'000	2016/17 £'000
Capital grants credited to surplus or deficit on the provision of services	(44,705)	(57,275)
Net adjustment from the sale of short and long term investments	-	-
Premiums or discounts on the repayment of financial liabilities	-	-
Proceeds from the sale of Property Plant and Equipment, Investment Property and Intangible Assets	(30,479)	(29,322)
	(75,184)	**(86,597)**

G7 Cash Flow Statement - Investing Activities

	2017/18 £'000	2016/17 £'000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(112,028)	(162,527)
Purchase of short-term and long-term investments	(48,903)	(43,295)
Other (payments)/receipts for investing activities	2,536	(250))
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	28,326	29,119
Proceeds from short-term and long-term investments	56,903	114,488
Capital Grants Received	60,736	35,134
Other receipts from investing activities	4,523	8,358
Net cash flows from investing activities	**(7,907)**	**(18,973)**

G8 Cash flow Statement - Financing Activities

	2017/18 £'000	2016/17 £'000
Cash receipts of short- and long-term borrowing	-	19,200
Cash payments for the reduction of outstanding liabilities relating to		
Finance leases and on-Balance Sheet PFI contracts	(6,367)	(5,615)
Repayments of short and long-term borrowing	(3,000)	(2,235)
Council Tax and NNDR adjustments	(18,863)	9,373
Other payments/(receipts) in respect of financing activities	10,060	12,876
Net cash flows from financing activities	**(18,170)**	**33,599**

G9 Financial Instruments & Borrowing

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

	Long-Term		Current	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017 Restated
	£'000	£'000	£'000	£'000
Financial Liabilities				
Financial Liabilities at amortised Cost	**579,187**	584,333	**100,990**	120,110
Total Financial Liabilities	**579,187**	584,333	**100,990**	120,110
Financial Assets				
Available-for-sale financial assets	**9,249**	5,000	**-**	-
Unquoted equity investment at cost	**3,252**	2,852	**-**	-
Loans & Receivables at Amortised Cost	**4,272**	10,272	**135,026**	156,103
Total Financial Assets	**16,773**	18,124	**135,026**	156,103

Movements

The decrease in financial assets, circa £22m, primarily related to the prudential borrowing element of the capital programme for which no external borrowing was undertaken. This was in accordance with the 2017/18 Treasury Strategy to reduce the net financing costs and counter party risk of the Group, while maintaining liquidity to meet the obligations of the Group.

Unquoted Equity Instruments Measured at Cost (where fair value cannot be reliably measured)

The majority of this investment relates to the Group's shareholding in Bristol Port Company Ltd. The shares are carried at cost of £2.5m and have not been valued as a fair value because cannot be measured reliably as there are no established companies with similar aims in the Group’s area whose shares are traded which might provide comparable market data.

Borrowing

Short-term borrowing	31 March 2018 £'000	31 March 2017 £'000
Deposit loans (repayable at notice - up to 7 days)	101	101
Other short term borrowing (repayable within 1 year):		
- Public Works Loan Board	3,737	3,408
- Banks and other monetary sector	1,138	4,239
- Local bonds and property rent disposals	11	11
- Stocks	10	10
Total	**4,997**	**7,769**

Long-term borrowing	31 March 2018 £'000	31 March 2017 £'000
Public Works Loan Board	310,439	310,439
Market debt (of which £100m LOBO’s)	120,000	120,000
Stocks	50	50
Total	**430,489**	**430,489**

The Group as planned repaid a market loan (£3m) and did not undertake any new borrowing during year as set out in the Treasury Management Strategy to reduce the net financing costs and counter party risk of the Group.

Allowance for Credit Losses

The Group has not incurred any losses during the period.

Income, Expense, Gains or Losses

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

Financial Instruments Gains and Losses 2017/18

	Financial Liabilities	**Financial Assets**		
	Measured at amortised cost	**Loans and receivables**	**Available-for-sale assets**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Interest expense & Impairment Losses	(35,364)	-	-	(35,364)
Total expense in Surplus or Deficit on the Provision of Services	**(35,364)**	**-**	**-**	**(35,364)**
Interest Income	-	7,265	-	7,265
Dividend Income	-	-	2,589	2,589
Total income in Surplus or Deficit on the Provision of Services	**(35,364)**	**7,265**	**2,589**	**(25,510)**
Deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**-**	**-**	**(750)**	**(750)**
Net gain/(loss) for the year	**(35,364)**	**7,265**	**1,839**	**(26,260)**

Financial Instruments Gains and Losses 2016/17

	Financial Liabilities	**Financial Assets**		
	Measured at amortised cost	**Loans and receivables**	**Available-for-sale assets**	**Total**
	£000s	**£000s**	**£000s**	**£000s**
Interest expense	(35,258)	-	-	(35,258)
Total expense in Surplus or Deficit on the Provision of Services	**(35,258)**	**-**	**-**	**(35,258)**
Interest Income	-	6,103	-	6,103
Dividend Income	-	-	2,658	2,658
Total income in Surplus or Deficit on the Provision of Services	**(35,258)**	**6,103**	**2,658**	**(26,497)**
Surplus arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**-**	**-**	**(302)**	**(302)**
Net gain/(loss) for the year	**(35,258)**	**6,103**	**2,356**	**(26,799)**

Fair Value of Financial Assets and Property Assets

Some of the Group's financial assets are measured in the Balance Sheet at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Descriptions	Fair value measurements at 31 March 2018 using:			Fair value measurements at 31 March 2017 using:		
	Quoted prices in active markets	Observable inputs	Unobservable inputs	Quoted prices in active markets	Observable inputs	Unobservable inputs
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	£000	£000	£000	£000	£000	£000
Recurring fair value measurements						
Non-traded securities:						
Unquoted private companies	-	-	500	-	-	100
Pooled property fund	-	-	9,150	-	-	4,900
Total Non-traded securities:	**-**	**-**	**9,650**	**-**	**-**	**5,000**
Investment properties	**-**	**255,415**	**-**	**-**	**253,976**	**-**
Surplus properties	**-**	**41,782**	**-**	**-**	**47,320**	**-**
Total recurring fair value measurements	**-**	**297,197**	**9,650**	**-**	**301,296**	**5,000**
Non-recurring fair value measurements		1,539				
Assets held for sale	-	-	-	-	-	-
Total non-recurring fair value measurements	**-**	**1,539**	**-**	**-**	**-**	**-**

Valuation techniques and Inputs

Description of asset	Valuation hierarchy	Basis of Valuation	Observable and Unobservable inputs	Key sensitivities affecting the valuations provided
Surplus assets	Level 2	All surplus assets have been valued by RICS qualified valuers to Fair Value less costs to sell, reflecting highest and best use.	Evidence of title, floor area, siting and site conditions, type/age and current use of the property have been taken into account together with general market conditions and advertised value of similar properties currently up for sale.	Not all assets are physically inspected every year. Latent defects, repair and maintenance backlogs, general changes in the market and other impairments could have a significant impact on the values provided.
Investment Properties	Level 2	All investment properties have been valued by the Group's in-house valuers (all RICS qualified) on an investment income basis which we are satisfied represents highest and best use overall.	All valued on an investment income basis, using existing lease terms and current yields	Changes to market conditions, lease terms, covenant strength and occupancy levels could all affect the asset valuations provided.
Investments in unquoted companies	Level 3	These investments have been valued at the Group's share of each company's net assets.	Calculations for unquoted companies have been based on their unaudited accounts.	Valuations could be affected by the different accounting or valuation methods.

Description of asset	Valuation hierarchy	Basis of Valuation	Observable and Unobservable inputs	Key sensitivities affecting the valuations provided
Investments in Pooled Property Fund	Level 3	These investments have been valued at the Group's share within the pooled fund.	The valuation for Pooled Property Funds have been based on the latest quarterly financial report (31st March 2018).	Changes to housing market conditions could affect the valuation of the pooled property fund.

Transfers between levels of the fair value hierarchy

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

Changes in valuation technique

There has been no change in valuation techniques used during the year.

Description	31 March 2018 Non-traded securities £000	31 March 2017 Non-traded securities £000
Opening balance	5,000	802
Losses included in Other Comprehensive Income and Expenditure	(750)	(302)
Additions	5,400	4,500
Closing balance	**9,650**	**5,000**

The losses identified above primarily relate to the expected downward revaluation of the Homelessness Property Fund due to the upfront costs incurred when entering into such a fund.

The Fair Values of Financial Assets and Financial Liabilities that are not Measured at Fair Value

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- The fair values for financial liabilities for PWLB debt has been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB current[1] rates as at each Balance Sheet date, and include accrued interest, representing the transfer cost of these debt instruments. The fair values for non-PWLB debt have also been calculated using the same procedures as limited market activity exists to provide suitable estimates.
- For loans and receivables prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;

Financial Liabilities	**31 March 2018**		31 March 2017	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	£000	**£000**	£000	£000
Total Liabilities	**680,177**	**981,155**	704,443	1,003,603

1) If the PWLB "repayment" rates were applied as at balance sheet date, the fair value of liabilities would increase by £156m to £1.137bn

The fair value of the liabilities is higher than the carrying amount because the Group'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 2018) arising from a commitment to pay interest to lenders above current market rates.

Financial Assets	**31 March 2018**		31 March 2017	
	Carrying amount	**Fair value**	Carrying amount Restate	Fair value Restated
	£000	**£000**	£000	£000
Loans & Receivables				
Short term investments	25,132	25,132	33,180	33,180
Cash and Cash Equivalents	29,990	29,990	40,239	40,239
Long term investments	12,501	12,501	7,852	7,852
Debtors qualifying as loans and receivables	79,904	79,904	82,684	82,684
Total loans and receivables	**147,527**	**147,527**	**163,955**	**163,955**
Long term debtors	**4,272**	**5,190**	**10,272**	**11,812**
Total Financial Assets	**151,799**	**152,717**	**174,227**	**175,767**

The fair value of the assets is marginally higher than the carrying amount because the Group's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future gain (based on economic conditions at 31 March 2018) arising from a commitment to pay interest to lenders below current market rates.

The Group'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 Group.
- Liquidity risk – the possibility that the Group might not have funds available to meet its commitments to make payments.
- Re-financing risk – the possibility that the Group might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk – the possibility that financial loss might arise for the Group as a result of changes in such measures as interest rates, money market movements and commodity price movements.

The Group'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 Group 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 Group 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 Group's annual Group 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 Group's financial instrument exposure. Actual performance is also reported annually to Members.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 21 February 2017 and is available on the Council website.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Group'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 and Poor's 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-, with the lowest available rating being applied to the criteria;
- UK institutions provided with support from the UK Government;

The Group'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 Group'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	Historical experience of default	Adjustment for market conditions	Estimated maximum exposure to default	Estimated maximum exposure to default
	£000	%	%	£000	£000
	A	B	C	(A*C)	
Long Term Investments:	**31-Mar-18**	**31-Mar-18**	**31-Mar-18**	**31-Mar-18**	31-Mar-17
Non-traded securities	12,501	0.00%	0.00%	-	-
Sub-total	**12,501**			-	-
Short Term Investments:					
AA rated counterparties	10,014	0.02%	0.02%	2	8
A rated counterparties	15,044	0.06%	0.06%	9	6
BBB rated counterparties	74	0.16%	0.16%	-	13
Sub-total	**25,132**			**11**	**27**
Cash & cash equivalent:					
AAA rated counterparties	15,197	0.04%	0.04%	6	-
AA rated counterparties	9	0.02%	0.02%	-	1
A rated counterparties	14,700	0.05%	0.05%	7	7
BBB+ rated counterparties	84	0.16%	0.13%	-	-
Sub-total	**29,990**	**-**	**-**	**13**	**8**
Trade debtors (classed as loans and receivables)	**79,904**			-	-
Long-term debtors	**4,272**			-	-
Total Financial assets	**151,799**			**24**	**35**

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

The Group does not generally allow credit for its trade debtors, including amounts due from government departments and other Local Authorities.

Debtor analysis	Gross debtor at	Bad Debt provision at	Net debtor at	Net debtor at
	31-Mar-18	31-Mar-18	31-Mar-18	31-Mar-17
				Restated
	£'000	£'000	£'000	£'000
Local tax payers	17,413	(7,998)	**9,415**	6,633
Housing rents	10,768	(8,679)	**2,089**	2,337
Other - sundry debtors	95,688	(34,142)	**61,546**	61,940
Total Other Entities and Individuals	**123,869**	**(50,819)**	**73,050**	**70,910**
Central Government bodies	35,056	-	**35,056**	24,958
Other local authorities	13,905	-	**13,905**	14,653
NHS bodies	4,139	-	**4,139**	5,603
Public corporations and trading funds	-	-	**-**	-
Total debtors	**176,969**	**(50,819)**	**126,150**	**116,124**
Balance sheet debtors	**176,969**	**(50,819)**	**126,150**	**116,124**
Adjust for statutory debtors				
Ex Avon Debt	(1,775)		**(1,775)**	(1,849)
Local taxpayers	(17,413)	7,998	**(9,415)**	(6,633)
Central Government bodies	(35,056)	-	**(35,056)**	(24,958)
Total statutory debtors (not qualifying as loans and receivables under IFRS)	**(54,244)**	**7,998**	**(46,246)**	**(33,440)**
Debtors qualifying as loans and receivables	**122,725**	**(42,821)**	**79,904**	**82,684**

The following table analyses the Gross debt that is now past due over varying periods. This overdue debt is covered by a provision for bad debt.

	31 March 2018	31 March 2017 Restated
	£'000	£'000
Less than three months	15,603	18,005
Three to four months	1,382	1,117
Four months to one year	8,218	8,927
More than one year	39,962	38,778
Total	**65,165**	**66,827**

Liquidity risk

The Group has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Group has ready access to borrowings from the money markets to cover day-to-day cash flow need and the Public Works Loans Board and capital markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. Therefore, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets, excluding sums due from customers, is as follows:

	31 March 2018	31 March 2017 Restated
	£'000	£'000
Less than 1 year	135,026	156,103
Between 1 and 2 years	150	3,000
Between 2 and 3 years	-	-
More than 3 years	16,623	15,124
Total	**151,799**	**174,227**

The maturity analysis of financial liabilities is as follows:

	31 March 2018	31 March 2017
	£'000	£'000
Less than 1 year	106,739	125,988
Between 1 and 2 years	14,630	5,017
Between 2 and 3 years	16,771	14,630
More than 3 years	542,037	558,808
Total	680,177	704,443

Refinancing and Maturity risk

The Group 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 Group 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 Group 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 Group'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.

	Approved minimum limits %	Approved maximum limits %	Actual 31 March 2018 £'000	%	Actual 31 March 2017 £'000	%
Less than 1 year	-	30	4,997	1%	7,769	2%
Between 1 and 2 years	-	40	-	0%	-	0%
Between 2 and 5 years	-	40	15,000	3%	10,000	2%
Between 5 and 10 years	-	50	49,000	11%	37,000	8%
More Than 10 Years	25	100	366,489	85%	383,489	88%
Total			**435,486**	**100%**	**438,258**	**100%**

Market risk

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

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;

- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);

- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and

- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or 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 the Other Comprehensive Income and Expenditure Statement.

The Group has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Group's expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed

At 31 March 2018, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	31 March 2018 £'000
Increase in interest receivable on variable rate investments	857
Impact on Surplus or Deficit on the Provision of Services	857
Share of overall impact debited to the HRA	1,048
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)	111,400

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

The Group is also exposed to commodity risk with regards to price movements in the wholesale energy markets. The Group manages this risk through its wholly owned subsidiary, Bristol Energy Limited, by entering into forward energy procurement contracts.

Price risk

The Group does not generally invest in equity shares but does have long term investments in un-quoted companies amounting to £3m primarily for the Bristol Port Company. Whilst this holding is generally illiquid, the Group is exposed to losses arising from movements in the prices of these shares.

As the shareholding has arisen in the acquisition of specific interests, the Group is not in a position to limit its exposure to price movements by diversifying its portfolio.

These shares are classified as Available for Sale.

Foreign exchange risk

During 2017/18 the Group received monies denominated in Euro's relating to the receipt of European grant. The Group also made payments in a variety of currencies for the supply of goods and services. Payments and receipts are converted to Sterling at the earliest opportunity.

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.

ACCOUNTING POLICIES – The rules and practices adopted by the Council that determine how the transactions and events are reflected in the accounts.

ACCRUALS - The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

ACTUARY - An independent consultant who advises on the financial position of the Pension Fund.

ACTUARIAL GAINS AND LOSSES - 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

ACTUARIAL VALUATION - Every 3 years a review is carried out by the actuary on the Pension Fund's assets and liabilities reporting to the Council on the Fund's financial position and recommended employers' contribution rates.

AMORTISATION - The writing off of a loan balance or intangible asset over a period of time to revenue.

ANNUAL GOVERNANCE STATEMENT – The annual governance statement is a statutory document that explains the processes and procedures in place to enable the Council to carry out its functions effectively.

ASSET - An asset is something that the Council owns that has a monetary value. Assets are either current or long term.

- A current asset is one that will be used by the end of the next financial year (e.g. stock, debtors)
- A long term (fixed) asset provides the Council with benefits for a period of more than one year (e.g. property, plant and equipment).

BAD DEBT PROVISION - An amount set aside to cover money owed to the Council where it is considered doubtful payment will be received.

BALANCE SHEET - The Balance Sheet is a financial statement summarising the overall financial position of the Council at the end of the financial year.

BILLING AUTHORITY - The billing authority is responsible for levying and collecting the Council Tax in its area, both on its own behalf and that of its precepting authorities.

BUDGET - The budget represents a statement of the Council's planned expenditure and income.

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 property, plant & equipment in the provision of services.

CAPITAL EXPENDITURE - Expenditure on acquisition of a non-current asset or expenditure that adds to and not merely maintains the value of an existing asset.

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.

CARRYING AMOUNT/ CARRYING VALUE - These terms refer to the capitalised cost of a non current asset, less accumulated depreciation and impairment.

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 short-term, highly liquid investments that are readily convertible to cash; e.g. bank call accounts.

CODE - The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

COLLECTION FUND – A fund operated by the billing authority into which all receipts of Council Tax and National Non-Domestic Rates are paid. Payments are made from the fund to support the Council's general fund services and to the precepting authorities and the NNDR pool. The fund must be maintained separately from the Council's General Fund.

COMMUNITY ASSETS - Assets that the Council intends to hold in perpetuity that have no determinable useful life and that may have restrictions on their disposal, such as parks and historic buildings.

COMPONENTISATION - The recognition of distinct parts of an asset (components) as separate assets for depreciation purposes.

COMPRESHENSIVE INCOME AND EXPENDITURE ACCOUNT – A statement which details the total income received and the expenditure incurred by the Council during a year in line with IFRS reporting as required by the Code.

CONSUMER PRICE INDEX (CPI) - The measure of inflation used for the indexation of benefits, tax credits and public service pensions. The CPI is an internationally comparable measure of inflation and is used to compare inflation across the European Union.

CONTINGENT ASSET - A possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council.

CONTINGENT LIABILITIES - Sums of money that the Council will be liable to pay in certain circumstance, e.g. as a result of losing a court case.

COUNCIL TAX - A system of local taxation, which is set by both the billing and precepting authorities at a level determined by the revenue expenditure requirement for each authority, divided by the Council Tax Base for its area.

COUNCIL TAX BASE - An amount calculated by the billing authority, by applying the band proportions to the total properties in each band in order to ascertain the number of band D equivalent properties in the authority's area. The tax base is also used by the precepting and some levying bodies in determining their charge to the area.

CREDITORS - Amounts of money owed by the Council for goods or services received.

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.

DEBTORS - Amounts of money owed to the Council for goods or services provided.

DEDICATED SCHOOLS GRANT (DSG) - A ring-fenced grant from the Department for Education paid to Local Education Authorities for the Education of Children and Young Adults up to the age of 25.

DEPRECIATION - A provision made in the accounts to reflect the cost of consuming assets during the year, e.g. a vehicle purchased for £30,000 with a life of five years would depreciate on a straight-line basis at the rate of £6,000 per annum. Depreciation forms part of the 'capital charges' made to service revenue accounts and is covered by International Accounting Standard (IAS) 16.

DIRECT REVENUE FINANCING - Funding of capital expenditure directly from revenue budgets.

EARMARKED RESERVES - Amounts set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish a provision.

EXIT PACKAGES - The cost to the Council of early termination of staff employment before normal retirement age.

EVENTS AFTER THE BALANCE SHEET DATE (POST BALANCE SHEET EVENTS) - Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

EXTERNAL AUDITOR - The auditor appointed by the Audit Commission to carry out an audit of the Council's accounts. The current auditor is BDO.

FAIR VALUE - Fair Value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no motive in their negotiations other than to secure a fair price.

FINANCE LEASE - A contractual agreement for the use of an asset, where in substance the risks and rewards associated with ownership reside with the user of the asset (lessee) rather than the owner (lessor).

FINANCIAL YEAR - The local authority financial year starts on 1 April and ends on the following 31 March.

GENERAL FUND - This is the main revenue account of the Council. It includes the cost of all services provided which are paid from Government grants, generated income, NNDR retention and the City Council's share of Council Tax. It excludes the Housing Revenue Account. By law, it includes the cost of services provided by other bodies who charge a levy to the Council.

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.

GROUP ACCOUNTS – Where a Council has a material interest in another organisation (e.g. a subsidiary organisation) group accounts have to be produced. These accounts report the financial position of the Council and all organisations in which it has an interest.

HERITAGE ASSET - Assets held and maintained principally for their contribution to knowledge and culture. Examples of Heritage Assets are historical buildings, civic regalia and museum and gallery collections.

HOUSING REVENUE ACCOUNT (HRA) - The HRA includes expenditure and income arising from the provision of rented dwellings. It is, in effect, a landlord account. Statute provides for this account to be separate from the General Fund and any surplus or deficit must be retained within the HRA.

IMPAIRMENT - This is where the value of an asset falls below the carrying value in the accounts and so to reflect the commercial reality of the situation a charge is made in the running costs.

INFRASTRUCTURE ASSETS – Non-current assets that are unable to be readily disposed of, the expenditure on which is recoverable only by continued use of the asset created. Examples are highways and footpaths.

INTANGIBLE ASSETS - Assets which do not have a physical form but provide an economic benefit for a period of more than one year; e.g. software licences.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) - Since 1 April 2010, local authorities are required to adopt a code of practice based on an internationally agreed set of financial rules, referred to as International Financial Reporting Standards (IFRS). These dictate a greater level of analysis and disclosure than previous requirements to allow readers of the Statement of Accounts to gain a clearer understanding of the Council's financial position and activities.

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

LIABILITIES - Amounts the Council either owes or anticipates owing to others, whether they are due for immediate payment or not.

MAJOR REPAIRS RESERVE (MRR) - This reserve is for capital expenditure on HRA assets.

MINIMUM REVENUE PROVISION (MRP) - A statutory amount, that has to be charged to revenue, to provide for the redemption of debt.

MOVEMENT IN RESERVES STATEMENT – This financial statement presents the movement in usable and unusable reserves (the Council's total reserve balances).

NATIONAL NON-DOMESTIC RATE (NNDR) – More commonly known as 'business rates', these are collected by billing authorities from all non-residential buildings. Since 1 April 1990 the poundage level has been set by the Treasury. Amounts payable are based on rateable values multiplied by this poundage level.

NET BOOK VALUE - The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value, less the cumulative amounts provided for depreciation.

NON-CURRENT ASSETS - Assets which yield a benefit to the Council for a period of more than one year.

NON-OPERATIONAL ASSETS - Fixed assets held by a Council, but not directly occupied, used or consumed in the delivery of services; for example, investment properties and assets surplus to requirements held pending sale or redevelopment.

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

OPERATIONAL ASSETS - Fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or a discretionary responsibility.

OUTTURN - This is the actual level of expenditure and income for the financial year.

PENSION FUNDS - For the Local Government Pension Scheme, the funds that invest employers' and employees' pension contributions in order to provide pensions for employees on their retirement and pensions for employees' dependants in the event of death of an employee.

PENSION STRAIN - The cost to the Council of reimbursing the Pension Fund should it agree to employees aged 55 and over drawing their pension before normal retirement age.

PRECEPT - This is the method by which a precepting authority (Avon and Somerset Police & Crime Commissioner, Avon Fire Authority) obtains income from the billing authority to cover its net expenditure. This is calculated after deducting its own Revenue Support Grant. The precept levied by the precepting authority is incorporated within the Council Tax charge. The Council pays the amount demanded over an agreed time scale.

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

PRIVATE FINANCE INITIATIVE (PFI) - PFI started in 1997/98 and offers a form of Public-Private Partnership in which local authorities do not buy assets but rather pay for the use of assets held by the private sector.

PROPERTY, PLANT AND EQUIPMENT (PPE) - Covers all tangible (physical) assets used in the delivery of services, for rental to others, or for administrative purposes, that are used for more than one year.

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.

PRUDENTIAL CODE - The Prudential Code frees authorities to set their own borrowing limits having regard to affordability. In order to demonstrate this has been done, and enable adherence to be monitored, authorities are required to adopt a number of appropriate 'Prudential Indicators'.

PUBLIC WORKS LOAN BOARD (PWLB) - A body, part of the Debt Management Office (a government agency) which lends money to public bodies for capital purposes. At present nearly all borrowers are local authorities. Monies are drawn from the national Loans Fund and rates of interest are determined by the Treasury.

RATEABLE VALUE - The Valuation Office Agency (part of HM Revenue and Customs) assesses the rateable value of nondomestic properties. Business rate bills are set by multiplying the rateable value by the year's NNDR poundage (which is set by the Government). Domestic properties no longer have rateable values; instead they are assigned to one of the eight council tax valuation bands.

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

- one party has direct or indirect control of the other party
- the parties are subject to common control from the same source
- one party has influence over the financial and operational policies of the other party to the extent that the other party might be inhibited from pursuing its own interests; or
- the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own interests. Examples of related parties include central government, other local authorities and other bodies' precepting or levying demands on the Council Tax, its members and its chief officers.

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

RETAIL PRICE INDEX (RPI) - The measure of inflation used prior to the adoption of CPI by the Government.

REVALUATION - Recognises increases or decreases in the value of non-current assets that are not matched by expenditure on the asset; gains or losses are accounted for through the revaluation reserve.

REVENUE EXPENDITURE – The regular day to day running costs of items including salaries and wages and other running costs incurred to provide services.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFFCUS) - Expenditure which is legitimately financed from capital resources, but which does not result in, or remain matched with tangible assets.

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

SURPLUS ASSETS - Assets not being used in the delivery of services that do not qualify as being 'held for sale' under accounting guidance.

SOFT LOANS - Funds received and advanced at less than market rates.

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

UNSUPPORTED BORROWING - Local authorities can set their own borrowing levels based upon their capital need and their ability to pay for the borrowing, costs are not supported by the Government so services need to ensure they can fund the repayment costs. The borrowing may also be referred to as Prudential Borrowing.

USABLE CAPITAL RECEIPTS - This represents the amount of capital receipts available to finance capital expenditure in future years, or to provide for the repayment of debt.