TAUNTON DEANE BOROUGH COUNCIL

Corporate Governance Committee

You are requested to attend a meeting of the Corporate Governance Committee to be held in The John Meikle Room, The Deane House, Belvedere Road, Taunton on 26 September 2011 at 18:15.

Agenda

1 Apologies.

2 Minutes of the meetings of the Corporate Governance Committee held on 27 June 2011 and 25 July 2011 (attached).

3 Public Question Time.

4 Declaration of Interests
To receive declarations of personal or prejudicial interests, in accordance with the Code of Conduct.

5 Health & Safety Report. Report of the Health and Safety Advisor (now attached).
Reporting Officer: David Woodbury

6 Annual Report of the Standards Committee. Report of the Chairman of the Standards Committee (attached).

7 Audit Commission – Annual Governance Report 2010/11. Report from the Audit Commission (now attached).
Reporting Officer: Shirlene Adam

8 Approval of Audited Statement of Accounts. Report of the Financial Services Manager (now attached).
Reporting Officer: Paul Fitzgerald

9 Risk Management Update. Report of the Performance & Client Lead (attached). Includes Appendix A – Corporate Risk Register.
Reporting Officer: Dan Webb

10 Internal Audit Plan – Progress Report. Report of the Internal Audit Manager (now attached).
Reporting Officer: Chris Gunn

11 Anti-Bribery Policy. Report of the Strategic Finance Officer (attached).
Reporting Officer: Maggie Hammond

12 Corporate Governance Committee Forward Plan - details of forthcoming items to be considered by the Corporate Governance Committee and the opportunity for Members to suggest further items (attached)

Tonya Meers
Legal and Democratic Services Manager

08 May 2012

Members of the public are welcome to attend the meeting and listen to the discussions.

There is time set aside at the beginning of most meetings to allow the public to ask questions.

Speaking under "Public Question Time" is limited to 4 minutes per person in an overall period of 15 minutes. The Committee Administrator will keep a close watch on the time and the Chairman will be responsible for ensuring the time permitted does not overrun. The speaker will be allowed to address the Committee once only and will not be allowed to participate further in any debate.

If a member of the public wishes to address the Committee on any matter appearing on the agenda, the Chairman will normally permit this to occur when that item is reached and before the Councillors begin to debate the item.

This is more usual at meetings of the Council's Planning Committee and details of the "rules" which apply at these meetings can be found in the leaflet "Having Your Say on Planning Applications". A copy can be obtained free of charge from the Planning Reception Desk at The Deane House or by contacting the telephone number or e-mail address below.

If an item on the agenda is contentious, with a large number of people attending the meeting, a representative should be nominated to present the views of a group.

These arrangements do not apply to exempt (confidential) items on the agenda where any members of the press or public present will be asked to leave the Committee Room.

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If you would like an agenda, a report or the minutes of a meeting translated into another language or into Braille, large print, audio tape or CD, please telephone us on 01823 356356 or e-mail us at: enquiries@tauntondeane.gov.uk

Lift access to the John Meikle Room and the other Committee Rooms on the first floor of The Deane House, is available from the main ground floor entrance. Toilet facilities, with wheelchair access, are also available off the landing directly outside the Committee Rooms.

An induction loop operates to enhance sound for anyone wearing a hearing aid or using a transmitter.

For further information about the meeting, please contact Democratic Services on 01823 356382 or email d.durham@tauntondeane.gov.uk

Corporate Governance Committee Members:-

Councillor B Denington	(Chairman)
Councillor A Wedderkopp	(Vice-Chairman)
Councillor A Beaven	
Councillor S Coles	
Councillor E Gaines	
Councillor A Govier	
Councillor T Hall	
Councillor J Hunt	
Councillor L James	
Councillor R Lees	
Councillor D Reed	
Councillor V Stock-Williams	
Councillor P Tooze	

AGENDA ITEM NO. 2

Corporate Governance Committee – 27 June 2011

Present: Councillor Denington (Chairman)
Councillor A Wedderkopp (Vice-Chairman)
Councillors Beaven, Coles, Gaines, Hall, Hunt, Miss James, R Lees, Reed, Gill Slattery, Mrs Stock-Williams and Tooze

Officers: Shirlene Adam (Strategic Director), David Woodbury (Health and Safety Advisor), Paul Harding (Performance and Client Lead), Dan Webb (Client and Performance Lead), Chris Gunn (Internal Audit Manager), Tony Brown (South West Audit Partnership) and Richard Bryant (Democratic Services Manager)

Also Present: Councillors Meikle, Morrell and Nottrodt and Brian Bethell (Audit Commission).

(The meeting commenced at 6.15 pm)

33. Apologies/Substitution

Apologies: Councillors Govier and R Lees

Substitution: Councillor Gill Slattery for Councillor R Lees

34. Minutes

The minutes of the meeting held on 23 May 2011 were taken as read and were signed.

35. Declaration of Interests

Councillor Miss James declared a personal interest as an employee of Viridor. Councillor Tooze declared a personal interest as an employee of the UK Hydrographic Office.

36. Health and Safety – Priority Areas Update

Following discussions with the Corporate Management Team and the Corporate Governance Committee and recommendations made by the South West Audit Partnership, the Council's Health and Safety (H&S) Forward Plan had been reviewed.

The Plan identified current and emerging H&S issues and set out solutions designed to raise the standard of knowledge and performance within the Council.

Delivery of the plan within the agreed timescales would:-

- Achieve legal compliance;
- Result in a significant reduction in risk;

- Reduce loss time injury accidents; and
- Support the 'wellbeing' of Council employees and partners.

The Priority Issues for the current year were as follows:-

1. Reviewing and publishing the Council's H&S Management System on Sharepoint;

2. Issuing a mandate that all managers attend the relevant 'H&S Essentials' training sessions and complete their local roles and responsibilities document;

3. The introduction of an H&S Competency framework for all levels of employee, held in a central training data base;

4. Implementing a 'Generic and Dynamic Risk Assessment' approach for all operational service areas;

5. Providing a structured programme of 'Byte sized' training and 'Tool box' talks for all employees;

6. Developing new Corporate performance measures for H&S, specifically:-

    - Management competency and legal compliance;
    - H&S Management System and implementation; and
    - Accident, incident data and lessons implemented.

Details as to who would be responsible for undertaking the above issues, how they would be achieved and in what timescale were presented.

Also reported details of disciplinary action linked to H&S issues which was a response to a question asked at a previous meeting of the Committee.

Resolved that the revised Health and Safety Forward Plan be noted.

37. Audit of Financial Controls

Mr Brian Bethell reported that the Audit Commission would shortly be commencing their formal audit of Taunton Deane's Financial Statements for 2010/2011.

In preparation for this, the Audit Commission had carried out some early work on the Councils financial systems, including General Ledger, Accounts payable (creditors), Accounts receivable (debtors), Payroll, Property Plant and Equipment, Council Tax, Non-domestic Rates, Housing Rents, Housing Benefits, Car Park income, Cash receipting, Treasury Management and Deane DLO (Cosy) system.

This helped identify any risks in the Council's control regime, and this then was built into the auditors work plans.

The conclusion of this early review was set out in the Audit Commission's report which was submitted for the information of Members.

Members were pleased to see the improvement in the financial control environment from last years review. There were a couple of areas where work was still underway (the introduction of the electronic payment request form and the cleansing of the master data on suppliers).

Although these should be completed by the end of March 2012, progress would be monitored by the Strategic Finance Officer.

Resolved that the report be noted.

38. Debt Recovery Update

Considered report previously circulated, detailing how the Council was managing the collection of its miscellaneous income debts.

Southwest One's Accounts Receivable Team provided a key service in managing the sundry debt recovery process on the Council's behalf and since April 2009 had been using the SAP computer system to administer this process.

The Council's Performance and Client Team regularly monitored the level of sundry debt arrears and the level of sundry debt arrears in SAP was reported quarterly to the Executive and Corporate Scrutiny Committee as part of the Council's quarterly Corporate Scorecard.

The audit opinion on how sundry debts were managed was reported in the 'Annual Statement of Governance' published with the annual accounts.

The following tables showed the current Council performance with regard to debt collection compared to the position in the previous financial year:-

(a) Sundry Debts

Debt Type	Responsibility	2009/2010	2010/2011
Sundry Debts in SAP	Southwest One Accounts Receivable Service and TDBC Services	**Outstanding 31 March 10:** £5.88m	**Outstanding 31 March 11:** £ 3.53m

During 2010/2011 £317,647.09 of irrecoverable sundry debt was written-off.

Significant progress had been made in reducing the level of sundry debt. In addition, a User Group had been created within Taunton Deane and across the Southwest One partnership in order to share best practice and comprehensive online guidance material was now available to officers on a dedicated SAP page on the Council's intranet.

(b) Council Tax

Debt Type	Responsibility	2009/2010	2010/2011
Council Tax (In-year)	Southwest One Revenues and Benefits Service	**Billed:** £49.9m	**Billed:** £50.7m
		% Collected: 97.74%	**% Collected:** 98.21%
		Total Outstanding 31 March 2011: £2.2m	

Council Tax was a key source of income to the Council and consequently its collection was a key performance indicator within the Southwest One contract.

The performance in 2010/2011 exceeded the target set of 98% and represented the highest in-year collection achieved by the Council.

At 31 March 2011, 99.43% of the £520m which Taunton Deane had billed in earlier financial years (between 1 April 1993 and 31 March 2010) had been collected.

(c) Non-Domestic Rates

Debt Type	Responsibility	2009/10	2010/11
Non-Domestic Rates (In-year)	Southwest One Revenues and Benefits Service	**Billed:** £33.5m	**Billed:** £ 34.8m
		% Collected: 98.90%	**% Collected:** 99.01%
		Total Outstanding 31 March 2011: £0.72m	

Reported that unlike with Council Tax, the collection of Non-Domestic Rates had no direct financial impact on the Council as any shortfall on collection was met by the central Non-Domestic rating pool. However, poor performance would have a negative impact on the Council's reputation. For this reason, Non-Domestic Rate Council collection was a key performance indicator within the Southwest One contract.

The 2010/2011 performance significantly exceeded the target set of 98.3% and was likely to represent top quartile performance for District Council's nationally.

(d) Housing Benefit Overpayments

Debt Type	Responsibility	2009/10	2010/11
Housing Benefit Overpayments	Southwest One Revenues and Benefits Service	**Outstanding 31 March:** £ 0.93m	**Outstanding 31 March:** £ 0.96m

Noted that the collection trend was very slightly downwards. Collection performance was monitored quarterly through Performance Indicators measuring the recovery of in-year and all year Housing Benefit overpayment debt.

Of the £0.96m outstanding, £360,000 was being recovered by deductions from on-going entitlement to Housing Benefit. However, the Government had stipulated that the maximum weekly deduction should be £10.20 or for those with fraudulent overpayments, £13.60. As some individual debts were extremely large, the ability to recover money owing in a timely manner was rather restricted.

Housing Benefit payments were largely reimbursed to the Council through subsidy, but good recovery of overpaid Housing Benefit would bring in much needed income.

In year collection of Housing Benefit debt at 31 March 2011 was 84.35%.

(e) Housing Rent

<table>
<tr><th>Debt Type</th><th>Responsibility</th><th>2009/10</th><th>2010/11</th></tr>
<tr><td rowspan="2">Housing Rent (current tenancies)</td><td rowspan="2">TDBC Housing Services</td><td>97.7% collected</td><td>98.1% collected</td></tr>
<tr><td colspan="2">Outstanding
31 March 2011:
£0.35m</td></tr>
</table>

Although the Housing Service marginally missed the target which they had set for 2010/2011 (98.3%) rent collection performance had shown a stepped improvement on that for 2009/2010.

Rent collection performance was included in the Community Scorecard and presented to both the Executive and the Corporate Scrutiny Committee.

Resolved that the mostly positive collection trends achieved over the past 12 months against the backdrop of the significant economic downturn, be noted.

39. Internal Audit Plan 2010/2011 – Annual Report

Considered report previously circulated, concerning the outturn position of the Internal Audit Plan for 2010/2011.

Details of the audits carried out under the following headings were submitted:-

- Operational;
- Information Systems;
- Key Controls; and
- Governance and Fraud.

As a result of the work undertaken during 2010/2011, the South West Audit Partnership (SWAP) was able to offer a ‘reasonable’ level of assurance in relation to the internal control environment at Taunton Deane.

Noted that out of a total of 28 audits, nine had been assessed as partial, 16 assessed as reasonable and three as comprehensive. Where weaknesses had been identified, the relevant officers had confirmed that they had or would be taking the necessary action to address these findings.

Further reported that the report also included details of the Audit Plan for 2011/2012 and a Schedule of Key Actions from Internal Audit work completed by SWAP since 1 April 2011.

Resolved that the report be noted.

40. Whistleblowing Policy

Considered report previously circulated, concerning the proposed introduction of an updated Whistleblowing Policy for Taunton Deane Borough Council.

The Council was committed to the highest possible standards of openness, probity and accountability. In line with that commitment we employees and others that we dealt with, who had serious concerns about any aspect of the Council's work, were expected to come forward and voice those concerns.

Reported that the Council’s existing Whistleblowing Policy was very out of date. This has been reviewed and an updated version of the policy had been prepared which was supported by the Corporate Management Team and the Unions. A copy of the updated policy was submitted for the consideration of Members.

Once approved, it was intended to publicise it on the Councils website and make it available to all staff.

Resolved that the updated Whistleblowing Policy be approved.

41. Corporate Governance Action Plan

Considered report previously circulated, which provided details of the progress made against the Corporate Governance Action Plan.

Each year the Council received a number of reports and assessments which resulted in recommendations for improvement. Individual action plans had proved challenging to manage and monitor and, therefore, an aggregated plan provided the details of the scale of improvements required and progress against them in one place.

The Corporate Governance Action Plan had undergone a full review and had been updated to include the most recent audit recommendations. These were in addition to some actions from previous audits that remained outstanding or were still considered as priorities for improvement.

The Corporate Governance Action Plan listed 32 actions, details of which were submitted. The progress monitoring indicated an improved situation compared to the previous report (Minute No. 15/2011). Currently, most actions were on course to be completed by the target date.

Noted however that there were five ‘High Priority’ action items which might not be completed on time. These were:-

- Completing the Business Continuity (BC) and IT Disaster Recovery Planning (including SW1 services);
- Updating the Workforce Strategy and completing and agreeing a new workforce plan;
- Improving control and monitoring of Section 106 Agreements;
- Ensuring that the Council realised benefits from SW1 and SW1 Transformation Projects; and
- The Council should review its debtor balances to ensure that the amounts included were receivable or if the amounts should be considered for write off.

Further reported that following a review of the Internal Audit findings from 2010/2011, the following four ‘high risk’ recommendations would be added to the Corporate Governance Action Plan:-

Creditors (data quality)

- That the Section 151 Officer monitored the level of purchase order compliance and encouraged three-way matching;
- That the Section 151 Officer ensured guidance was issued to staff on when the Direct Input payment method was used;
- That the Shared Accounting Manager determined why duplicate payments continued to occur and from this reviewed the effectiveness of appropriate duplicate controls; and

Licensing monies

- That the Performance and Client Lead requested the Business Support Leads for Licensing and Planning works with the IT Department to ensure the kiosk was programmed to ensure it could take cash payments.

Resolved that the Corporate Improvement Plan be noted.

42. Review of the effectiveness of Internal Audit

Considered report previously circulated, regarding a recent review that had been undertaken into the effectiveness of Internal Audit.

The Internal Audit function formed a part of the Corporate Governance and Internal Control Framework that provided accountability to stakeholders on all areas of the Corporate Plan.

The function was provided to Taunton Deane Borough Council and a number of other local authorities in the region by the South West Audit Partnership (SWAP).

SWAP's opinion on the adequacy and effectiveness of the Council's internal control framework formed a key part of the evidence used in preparing the corporate Annual Governance Statement (AGS) for 2010/2011, which would be published at the same time as the Council's Statement of Accounts later this year.

The review was an annual requirement to consider the effectiveness of the arrangements for the provision of Internal Audit services. This included the scope and terms of reference of Internal Audit, independence, ethics and competence, audit committees, relationships, staffing, audit strategy and planning, how audit work was undertaken, due professional care, reporting and performance, quality and effectiveness, as recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit.

Details of the review which had been undertaken by the Council's Section 151 Officer, Shirlene Adam, were submitted.

The review had found that overall, the team performed at a satisfactory level, and that this view was supported by the comments of external auditors.

In reviewing SWAP's performance, the Management Board had agreed Standards of Service which would help ensure that each partner received the same level and quality of service. Full details were submitted for the information of Members.

Further reported the progress that had been with the actions which were to have been completed in 2010/2011.

The following actions were recommended for the current financial year:-

- To fully implement the agreed Standards of Service;
- To review the current Governance arrangements of the SWAP Partnership and make recommendations for improvement;

- To support the Council in using the MKI management information system for monitoring progress against audit recommendations;

- To ensure that the controls tested, and the sample sizes used, met the requirements of the Audit Commission for all Managed Audits; and

- To ensure the “Managed Audits” were completed to final report stage by the end of January each year (to support the external audit work).

It was the opinion of the Strategic Director that the system of Internal Audit was effective.

Resolved that the findings of the review and the effectiveness of Internal Audit for 2010/2011 be noted.

43. Consultation Paper – Future of Local Public Audit

Reported that in preparation for the abolition of the Audit Commission, the Department for Communities and Local Government (DCLG) had published a consultation on the future arrangements for local public audit.

The consultation included proposals relating to the possible future role and composition of the Audit Committee. The proposals would result in all local bodies with a turnover exceeding £6,500,000 appointing their own independent auditor.

Four design principles had been used to develop the proposed changes:-

(1) Localism and decentralisation;
(2) Transparency;
(3) Lower audit fees; and
(4) Higher standards of auditing.

The deadline for responses to the consultation was 30 June 2011.

The report summarised the main issues arising from the consultation and contained a draft response for consideration and comment by Members of the Committee.

Key issues raised in the consultation paper related to:-

- The imposition of independent but unelected Chairman, Vice-Chairman and Members of the Audit Committee;

- The impact on existing arrangements for “corporate governance” in Taunton Deane;

- The potential for over-prescriptive and onerous external audit requirements; and

- The proposed imposition of the role of commissioner of independent examinations and de facto regulator of smaller public bodies operating within the area of Taunton Deane.

The report also set out the suggested options for the scope of the external audit and the work of the auditors and the arrangements that could be put in place for smaller bodies.

Members considered the response of the Strategic Director, Shirlene Adam, to the specific questions set out in the consultation paper and agreed that this should be sent to the DCLG to meet the deadline.

Resolved that:-

(1) The key issues emerging from the Government’s Consultation Paper on the Future of Local Audit be noted; and

(2) The proposed response to the consultation paper be approved.

44. Forward Plan

Submitted for information the proposed Forward Plan of the Corporate Governance Committee.

Resolved that the Corporate Governance Committee Forward Pan be noted.

(The meeting ended at 8.32 pm).

Corporate Governance Committee – 25 July 2011

Present: Councillor Denington (Chairman)
Councillor A Wedderkopp (Vice-Chairman)
Councillors Mrs Allgrove, Beaven, Coles, Gaines, A Govier, Hall, Hunt, Miss James, R Lees, Mrs Stock-Williams and Tooze

Officers: Shirlene Adam (Strategic Director and Section 151 Officer), Tonya Meers (Legal and Democratic Services Manager and Monitoring Officer), Tracey Healy (Principal Accountant), Adrian Mutter (Accountant), Keith Wiggins (Democratic Services Officer) and Miss N Williams (Administrative Officer)

Also present: Councillors Morrell, Nottrodt and Williams.

(The meeting commenced at 6.15 pm)

45. Apology/Substitution

Apology: Councillor D Reed

Substitution: Councillor Mrs Allgrove for Councillor D Reed

46. Declaration of Interests

Councillor A Govier declared a personal interest as a Member of Somerset County Council. Councillor Miss James declared a personal interest as an employee of Viridor. Councillor Tooze declared a personal interest as an employee of the UK Hydrographic Office.

47. Draft Statement of Accounts 2010/2011

The Council's Section 151 Officer informed Members that the process and timetable for approval of the Statement of Accounts had been changed from previous years. Members would now be asked to approve the accounts in September once they had been commented on by the external auditors, as a result of changes in public audit regulations and the introduction of International Financial Reporting Standards (IFRS).

The Principal Accountant had circulated the revised format Statements on Movement in Reserves and Comprehensive Income and Expenditure, plus the new Balance Sheet. She explained that the accounts must be considered and approved by Members before 30 September 2011.

The format of the Council's accounts had been changed to reflect the requirements of IFRS. Differences from previous years included the treatment of some balance sheet items (now shown as cash) and staff annual leave carried forward.

The information source for the account was from the SAP system and was subject to quarterly monitoring. Members could have confidence in the accuracy of those accounts through the work of the Council's own qualified accountants, plus the internal and external audit work, carried out by the South West Audit Partnership (SWAP) and the Audit Commission respectively.

Members heard that the overall Statement of Accounts now comprised four primary financial statements. These were the:

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

The key elements of each were explained in turn.

The Movement in Reserves was a new statement which detailed the movements in year on reserves held by the Council. It showed an analysis between useable and unusable reserves and was expected to be the key statement to enable Members to understand the overall financial position of the Council.

The Comprehensive Income and Expenditure Statement (CIES) was shown previously as the Income and Expenditure Account and the Statement of Recognised Gains and Losses. This showed the accounting cost in the year of providing services and detailed day to day revenue spending and income for the year.

The headline figures showed total expenditure (in Cost of Services) of £161m and total income (in Cost of Services) of £77m. This included two large accounting adjustments for the revaluation of Assets (-£75m) and Pensions (+£10m).

The Balance Sheet showed the value of assets and liabilities as at 31 March 2011. The top half was the total assets less total liabilities (both short and long term) – the bottom half matched the top half and was made up of the reserves held by the Council.

Members asked questions on the treatment of prepayment of postal franking and of art work owned by the Council and received answers from officers.

The timetable for the replacement of the Audit Commission as external auditor was discussed – and why it remained necessary to have three levels of audit of the Council's accounts.

The Chairman was of the view that this new system of public sector accountability provided a similar level of oversight to that required of large private sector companies.

Resolved that the circulated statements and presentation be noted.

48. Draft Annual Governance Statement 2011/2012 and Local Code of Corporate Governance

Considered report previously circulated, which detailed the draft Annual Governance Statement (AGS) for Taunton Deane Borough Council prior to its signature by the Leader of the Council and the Chief Executive.

The Council was required to prepare, as proper practice, an Annual Governance Statement to sit alongside the Council's accounts. The purpose of the statement was to provide assurance that the Council had a sound governance framework in place to manage risks that might prevent achievement of its statutory obligations and organisational objectives.

The Section 151 Officer had led the 2010/2011 review of the governance framework, supported by the Monitoring Officer (who had led an associated review of the Local Code of Governance), the Group Auditor and Strategic Finance Officer. The purpose of the review was to highlight any serious governance issues and actions needed to deal with them.

The conclusions from the review were that the Council's governance framework was satisfactory during 2010/2011.

Early in the financial year there were some weaknesses around the effective working of SAP (for example, duplicate payments and debt recovery). These had largely been fixed and controls were now working well. The challenge now was for the Council to ensure that agreed procedures were in place and being followed across the entire organisation.

More recently concerns had been shared on the level of resourcing of the financial advisory service to the Council. Work continued to resolve this matter with Southwest One.

The Section 151 Officer indicated there were some governance issues highlighted within the report that the Council would progress in order to further enhance the control framework. These included:

- Ensuring up to date Business Continuity Plans for all services;
- Ensuring up to date Disaster Recovery Plans for major risk areas of the Council;
- Ensuring our Partnerships realised the benefits they were intended to achieve;
- Ensuring that Equalities Assessments were embedded in our decision making process;
- Strengthening our arrangements for managing and monitoring s106 agreements;
- To update the Council's policies on Fraud and Debt Management and introduce regular briefings on these areas to Members;
- Improve benchmarking and Value For Money arrangements;

- To develop the Council’s Strategic IT and Property arrangements;
- To continue to review the operation of and usage of SAP to ensure that the internal control framework remained robust; and
- To update the Councils Financial Regulations.

The Corporate Governance Committee would receive reports on progress being made during the year.

A Councillor referred to Core Principle 4 within the Governance Framework (taking informed and transparent decisions which were subject to effective scrutiny and risk management arrangements) and questioned whether the Council had fallen short of effective scrutiny surrounding a particular issue in Taunton.

The Monitoring Officer responded that the decision had been subject to significant scrutiny and followed the process and principals of the code. The Leader of Council, Councillor Williams, added that most members had accepted that due process had been followed.

Resolved that the Annual Governance Statement be approved.

49. Corporate Governance Committee Forward Plan

Submitted for information the proposed Forward Plan of the Corporate Governance Committee.

Resolved that the Corporate Governance Committee Forward Pan be noted.

50. Exclusion of Press and Public

Resolved that the Press and Public be excluded from the meeting for the following item because of the likelihood that exempt information would otherwise be disclosed relating to Clause 3 of Schedule 12(A) to the Local Government Act 1972 and the public interest in withholding the information outweighed the public interest in disclosing the information to the public.

51. Section 106 Agreements - Review of Management and Controls

Considered report previously circulated, regarding a recent review of the key issues on the management of Section 106 Agreements for the Council.

Section 106 (s106) of the Town and Country Planning Act 1990 provided the legal framework for Taunton Deane Borough Council (as the Local Planning Authority), when granting planning permission, to enter into an associated legally binding agreement for that land.

Traditionally, authorities usd this framework to provide funding for changes to highways, contributions towards the provision of schools, the creation and future maintenance of open spaces, the provision of leisure facilities and affordable housing.

S106 Agreements were negotiated by the Council's Development Management function. The associated documentation was then prepared by the Legal Services Team.

The "obligation" in the agreement could be delivered by the developer, or they could transfer a sum to the relevant local authority for them to carry out the obligation on their behalf. The obligation might not be activated until some time after the development began.

The management of s106 agreements was currently spread through many departments.

The Audit Commission had identified concerns with regard to the controls around the management of s106 agreements last year. Following this an internal audit review of the s106 process was commissioned (across Somerset) to try and gain some learning from other authorities. The confidential internal audit report was provided to Members as an appendix to the public report.

The final section of the public report provided an update on the new legal framework (Community Infrastructure Levy) that replaces the 1990 Act, and set out how this would be managed at Taunton Deane.

Resolved that the proposed changes to the management of Section 106 agreements be supported.

(The meeting ended at 7.56 pm).

Declaration of Interests

Corporate Governance Committee

- Member of Somerset County Council – Councillor Govier
- Employee of Viridor – Councillor Miss James
- Employee of UK Hydrographic Office – Councillor Tooze

AGENDA ITEM NO. 5

Taunton Deane Borough Council

Corporate Governance Committee – 26 September 2011

Update on the TDBC Health and Safety Forward Plan – Priority issues and accident reports.

Report of the Corporate Health and Safety Advisor
(This matter is the responsibility of the Chief Executive, Leader of the Council, Health and Safety Champion.)

1. Executive Summary

Work continues on the delivery of the H&S priority issues. Timescales are adjusted to accommodate the proposed changes in structure. The Committee are asked to note; the progress on the revised H&S Action Plan and that there are no new significant risks or incidents to report.

2. Background
This update report is a standing agenda item to ensure that the Council's health and safety performance is a priority and remains visible in the Council's considerations and actions.

3. Health and safety forward plan – Priority issues -2011

1. **Priority H&S Issues**

1. Review and publish the Council's Health and Safety Management System (H&SMS) on Sharepoint.
   - **Action** to review and simplify all policies and guidance by end 2011.

Update: Ten revised policies have been issued for consultation since June. Work is on target for the end of December 2011.

2. Mandate that all managers attend the relevant 'H&S Essentials' training sessions and complete their local roles and responsibilities document by end 2011.
   - **Action** to review completion as part of the PRED review process, start June 2011.

Update: Good level of uptake by managers; situation will be reviewed in light of impending organisational changes. (Budget reviews.)

3. The introduction of an H&S Competency framework for all levels of employee, held in a central training data base by end 2011.
    - **Action** to produce and populate the framework end August 2011.

Update: Deadline has moved to reflect work required for DLO restructure. The work is recognised as essential to the new way of working.

4. Implement a 'Generic and Dynamic Risk Assessment' approach for all operational service areas.
    - **Action** Theme Managers to ensure all operations have current risk assessments in place by end 2011.

Update: Theme reviews to be carried out in November to ensure all high level risks are covered.

5. Provide a structured programme of 'Byte sized' training and 'Tool box' talks for all employees.
    - **Action** Publish programme and start sessions by end of June 2011.

Update: A range of paper and DVD based tool boxes talks has been sourced for use and delivery by the DLO. Programme of short training sessions for the Core Council has been deferred to the New Year.

6. **Accident, incident data and lessons implemented**
    - All accident and incident data captured and where appropriate management actions implemented to prevent a re-occurrence:

DLO – 15June -31 August 2011				
Classification	Highways	Parks	Building	Public
Reportable	**1 (RSI)****	0	0	?*
Non-reportable	3	4	0	5
Near Miss	1			
Period total	**5**	**4**	**0**	**5**

*potential uncertainty of what may become reportable.
** (RSI) Repetitive strain injury.

Previous period- **DLO** – 0 April -15June 2011				
	1	2	4	0
Total*31.08.11	**6**	**6**	**4**	**5**

*One other minor injury to office based Council employee reported for the whole period.

Trends:

- There are no obvious trends within the majority of the employee accidents reported, although a number of follow up actions have been identified.
- There is a possible trend in the increase in the number of injury accidents to children within the new play areas. This was a recognised outcome of the play strategy, but each incident needs to be reviewed to ensure that the inspection and/or maintenance regime is correct.

4. Finance Comments

Unchanged -Any emerging issues or additional training will have to be funded from existing budgets. Line managers are expected to prioritise and refer any difficulties to CMT.

5. Legal Comments

Unchanged -Failure to meet or maintain minimum legal compliance will increase Corporate and individual risk, with the potential for increased criminal and civil actions

6. Links to Corporate Aims

Unchanged- Competent employees working safely in the delivery of the Council's services form an essential contribution to the Corporate Aims.

7. Environmental and Community Safety Implications

Unchanged- As in 6 above

8. Equalities Impact

Unchanged- There are no equalities impact over and above those already identified in the Theme delivery plans and existing arrangements.

9. Risk Management

Unchanged- Failure to meet minimum H&S statutory requirements has been identified in the Corporate Risk Register.

10. Partnership Implications

There are no partnership implications with respect to the content of this report.

11. Recommendations

The Committee are asked to note:

11.1 The progress on the revised H&S Action Plan.
11.2 The accident report summary to-date.
11.3 There are no new significant risks or incidents to report.

Contact: Officer Name David Woodbury
Direct Dial No 01823 356578
e-mail address d.woodbury@tauntondeane.gov.uk

AGENDA ITEM NO. 6

Taunton Deane Borough Council

Corporate Governance Committee – 26 September 2011

Annual Report of the Standards Committee - 2010/2011

Report of the Chairman of the Standards Committee

1. Introduction

1.1 The Council's Standards Committee has been in operation since 2000. Although our meetings are open to the public and the minutes are available on the website, we feel it is good practice to produce an annual report so that Councillors and the public are made fully aware of our activities.

1.2 In the past our reports have sought to cover only a complete year (say 2009) whereas from now on it is intended to report on periods covered by financial years – between 1 April and 31 March (or just beyond!).

2. Membership

2.1 Membership of the Committee still stands at 13 Members comprising seven independent Members, three Parish Council representatives and a Councillor from each of the two main political groups which form the Taunton Deane Borough Council, together with one further Councillor representing the Labour and Independent Groups.

2.2 We have always ensured that the Committee has a majority of independent Members. We have also always ensured that the Chairman is chosen from those independent Members. Although this is now a requirement of all Standards Committees, it is something we have been practising since the Committee's inception.

2.3 Anne Elder was re-appointed Chairman of the Standards Committee in June 2010 with Peter Malim OBE appointed as Vice-Chairman.

2.4 Within a month of his appointment, Peter had to sadly resign from the Committee. He had been co-opted onto his local Parish Council at Stogursey and, despite the fact that this was in the Sedgemoor District rather than Taunton Deane, it was decreed by Standards for England that his membership of a Parish Council meant he could not continue to serve on this Council's Standards Committee.

2.5 Alan Cottrell was subsequently appointed Vice-Chairman.

2.6 The vacancy, following Peter's departure, was advertised and Terry Bowditch was appointed to the Committee. Until his retirement in 2009, Mr Bowditch worked for the Audit Commission dealing with the Councils in Somerset and was a familiar face at meetings of Taunton Deane's Corporate Governance Committee.

2.7 Unfortunately, our full complement of seven independent Members on the Committee did not last very long.

2.8 Maurice Stanbury who had been a Member of the Committee since its inception over 10 years ago and had served as Vice-Chairman for several years, confirmed his intention to stand down and did so in May 2011.

2.9 Our thanks go to Maurice for his extensive contribution to the work of the Committee over the years. His experience and wisdom will be greatly missed. A replacement for him on the Committee is currently being sought.

2.10 It is pleasing to report that after many months, the vacancy for an additional Parish representative on the Committee was filled by Henry Davenport who is a Member of the Bishops Lydeard and Cothelstone Parish Council.

2.11 The full membership of the Committee is as follows:-

Anne Elder (Chairman)
Alan Cottrell (Vice-Chairman)
Terry Bowditch
Dick Macey JP
W Lynn Rogers
Robert Symons
One vacancy

Parish representatives:-
Henry Davenport
Mike Marshall
David Wilson

Council representatives:-
Councillor Mrs Allgrove
Councillor Brooks
Councillor Gaines.

2.12 Officer support is provided by Tonya Meers (Monitoring Officer) and Richard Bryant (Democratic Services Manager) and David Greig (Parish Liaison Officer).

3. Terms of Reference

3.1 The Committee's terms of reference remain unchanged, as follows:-

(a) To advise on the adoption and monitoring of the local Code of Conduct for all Members within the Authority (Borough, Town and Parish Councillors);

(b) To be responsible for training of all Councillors within the Authority on ethical conduct; and

(c) To promote and maintain high standards of conduct in the Authority and assist the Authority's Members to observe the Code of Conduct.

4. Functions of the Committee

4.1 In accordance with Section 54 of the Local Government Act 2000, the Committee is responsible for:-

- Promoting and maintaining high standards of conduct by Councillors and co-opted Members;
- Assisting the Councillors and co-opted Members to follow the Code of Conduct;
- Advising the Council on the adoption or revision of the Code of Conduct;
- Monitoring the effectiveness of the Code of Conduct;
- Training or arranging to train Councillors and any co-opted Members on matters relating to the Code of Conduct;
- Assessing and reviewing complaints about Members;
- Conducting Determinations' Hearings;
- Granting dispensations to Councillors and any co-opted Members with prejudicial interests; and
- Granting exemptions for politically restricted posts.

Review of the Year

5. The future of the Standards Regime

5.1 The big news of the year arose following the General Election in June 2010.

5.2 Having taken office, the new Coalition Government decided to carry out its pre-election threat of reviewing the Quangos that operated throughout England and Wales.

5.3 One of the early casualties was Standards for England, the national body which had been responsible for implementing the Code of Conduct for Councillors and putting in place the Local Assessment Framework which gave Councils like Taunton Deane the ability to investigate complaints against both its Councillors and Parish Councillors within the district.

5.4 Alongside the abolition of Standards for England, the Coalition Government published its Localism Bill which amongst a whole host of proposals sought to sweep away both the Code of Conduct and Standards Committees.

5.5 The Bill sought to replace the sanctions which can currently be imposed against a Councillor who has been found to have breached the Code of Conduct with a means of issuing prosecution proceedings in respect of activities such as not declaring prejudicial interests.

5.6 In view of the outraged public reaction to the “expenses scandal” of certain Members of Parliament, it was more than a little surprising that the Coalition Government was so keen to dismantle something that, over the years, had kept the behaviour of Councillors “in check”.

5.7 The unfortunate affect of the Government’s actions was to create a situation where Standards Committees felt that they were unable to operate fully – like being “in limbo” – waiting for the proposals in the Localism Bill to either be brought into effect or not.

5.8 For several months, this was the case at Taunton Deane and, as a result two scheduled meetings of the Standards Committee were cancelled. However, once it was realised that the progress of the Localism Bill through Parliament was likely to take many months the Committee took the decision that it was still very much in existence and it was agreed to continue “business as usual” for the foreseeable future.

5.9 Early indications from across the country are that many Councils value the Code of Conduct and wish to retain their Standards Committees with suitable sanctions to deal with breaches of the Code. Whether Parliament will pay heed to this groundswell of opinion, time will tell.

6. The Standards Committee

6.1 The full Committee has met on only five occasions during the year, for the reasons outlined in section 5 above.

6.2 The operation of the Local Assessment Framework (considered in detail in the next section) has meant meetings of the Assessment and Consideration and Hearing Sub-Committees having to be held to deal with complaints against Councillors. In 2010/2011 a total of five sub-committee meetings have had to be arranged.

6.3 There have been a wide variety of topics considered by Members over the past 12 months at each main meeting. These have included:-

(1) The Member Officer Protocol;
(2) Guidance on Personal and Prejudicial Interests;
(3) Dispensation to Members of West Monkton Parish Council;
(4) Performance Indicators for the Committee;
(5) Audit Reports into the Register of Interests for Members and the Register of Interests for Staff;
(6) The future of the Local Standards Framework;

(7) A Protocol for Local Authority Partnership Working; and
(8) Regular update reports on the progress being made with complaints received against Councillors.

6.4 With regard to item (4), the development of Performance Indicators was something in last year's report which was a priority issue. The good news is that the Performance Indicators (a copy of which is appended to this report) were finally agreed by the Committee in June 2010. The bad news is that with the demise of Standards for England and the uncertainty surrounding the future of the Code of Conduct, quite a few of the Indicators will need re-drafting once we know what the future holds!

7. Local Assessment Framework

7.1 The introduction of the Local Assessment Framework in May 2008 significantly changed the way in which the Committee now operates.

7.2 The Standards Committee (England) Regulations 2008 require Committees to deal with complaints made against both Borough Councillors and Parish Councillors.

7.3 Such complaints have to be assessed, investigated (where appropriate), with the findings then considered to establish if the Code of Conduct has been breached and whether a formal hearing into the complaint should be held.

7.4 The Standards Committee was also given a range of sanctions which it could impose on a Councillor who was found to have breached the Code.

7.5 As reported previously, a framework for dealing with complaints has been put in place and to ensure complaints are dealt with in a timely fashion, an accompanying flowchart with agreed deadlines has been developed by the Committee.

7.6 The bulk of the work involved in investigating complaints normally falls on the independent Members of the Committee who have to make up two thirds of the sub-committees which have been formed to deal with the various complaint stages.

7.7 During 2010/2011, the Committee received a total of **three** complaints compared with the five which were received between January 2009 and March 2010. All of these complaints were made in respect of Borough Councillors.

7.8 All three were initially considered by an Assessment Sub-Committee comprising independent Members and an elected Councillor. Two of the complaints were referred for investigation by an external investigator.

7.9 Currently, one of the complaints is still being investigated and another is awaiting a response from the subject Councillor as to a possible course of action to resolve the complaint.

7.10 After a very detailed investigation, the third complaint was brought before a Consideration Sub-Committee meeting towards the end of January 2011. The Sub-Committee again comprised two independent Members and a Councillor.

7.11 The Sub-Committee, having considered the external investigator's report, decided that no breach of the Code of Conduct had occurred and the complaint was not therefore upheld.

7.12 In the last Annual Report it was considered that the low number of complaints received by the Council was due in the main to Councillors knowing and respecting their obligations under the Code of Conduct. This appears still to be the case reflected by the receipt of only three complaints throughout the past 12 month period.

7.13 An update on the progress of all complaints is reported to every meeting of the full Standards Committee. As well as monitoring performance, the details provided also enable Members to identify any particular trends emerging.

7.14 There is no escaping the fact that potentially the Local Assessment Framework could take considerable time and effort to ensure it is operated properly and the procedures are followed exactly.

7.15 Thankfully, the level of complaint in Taunton Deane has continued to be low. However, other authorities have not been so fortunate and dealing with a far higher level of complaints has inevitably led to far more time and costs having to be devoted to the matter.

8. Working with the Town and Parish Councils

8.1 The Committee has continued to develop and strengthen our links with the Town and Parish Councils during the year. This is something we have always aspired to and we consider we have made further progress in this area.

8.2 Following the introduction of the new Code of Conduct in 2007, the Committee set out to inform all Parish Councils that standards and the ethics and probity regime were there for the protection of both the Clerk and the Councillors themselves. We also wanted to make all Parish Councils aware of the advice and support we were able to give them.

8.3 This has been largely achieved through training sessions which have been delivered to every Parish Council by David Greig, our Parish Liaison Officer.

8.4 Follow-up training has been on offer to "mop up" those Parish Councillors who were unable to attend the initial training session and plans were put in place by David to ensure new Parish Councillors elected at the Local Elections in May 2011 were made aware of the importance of the Code of Conduct.

8.5 The delivery of the training has proved to be highly successful with no complaints again being received against Parish Councillors in Taunton Deane during 2010/2011.

8.6 Our future relationship with the Town and Parish Councils will depend entirely on the outcome of the Localism Bill. As mentioned earlier, the original proposals outlined by the Government call for the abolition of the Code of Conduct which currently applies to all Councillors in England, including Parish Councillors.

8.7 It remains to be seen if a national Code of Conduct will be retained. If not, it is possible that local Codes might be introduced or ones that could be adopted by District Councils. However, there might not be any requirement for the Parishes to remain bound by a Code of Conduct unless it was thought appropriate to do so.

9. Raising the profile of the Standards Committee

9.1 The Committee has continued its efforts to raise its profile within Taunton Deane.

9.2 Invitations were sent to the Group Leaders at the start of the year to attend meetings of the Standards Committee to address Members and answer any questions on matters within the Committee's remit.

9.3 It is pleasing to report that the Leader of the Council, Councillor John Williams, has attended the Committee on two occasions and sought to re-assure Members that most of the Councillors welcomed the role carried out by the Standards Committee and the pragmatic way in which it operated.

9.4 Councillor Williams also felt that it was important that a Code of Conduct for Councillors should exist and reassured Members of the Committee that there would be one whilst he remained as Leader of the Council.

9.5 The independent Members have continued to make further appearances at many of the formal meetings of the Council aimed at raising the profile of the Committee in the minds of Councillors.

9.6 Attendance has given those observing a further opportunity to gain an appreciation of the workings of the Council and its Committees and to see at first hand how Councillors deal with matters on which they have to declare an interest.

9.7 At some stage in the future, it is possible that the Committee will wish to re-instate the "goodwill" visits to Parish Councils which were received so well a couple of years ago. However, this is unlikely to occur until we know what the Localism Bill is finally going to contain.

9.8 Last year, the Committee felt there was scope to develop our presence on the Taunton Deane website. This has now been addressed with far more informative pages, access to the Annual Report and pictures of the Members of the Committee!!

10. Training

10.1 The Committee continues to be conscious of the need for its own Members to be as well trained and as up to date with developments as possible.

10.2 Unfortunately, the hiatus caused by the dismantling of Standards for England and the introduction of the Localism Bill has seriously affected the opportunities for Members of the Committee to attend relevant training courses on matters relating to Standards.

10.3 This situation is likely to prevail for some time yet until certainty as to the future of the current Standards Regime returns.

10.4 Training has been equally important in relation to our Borough Councillors since the introduction of the Code of Conduct. Ethics and probity training sessions have continued to be offered at least on an annual basis and a special session will be made available to our newly elected Councillors as part of their induction process. Independent Members have been involved with the Monitoring Officer in the delivery of these sessions.

10.5 The success of this training has been illustrated by the number of enquiries that have been forthcoming from Members and the eagerness to declare interests at meetings.

11. Looking Ahead

11.1 The constant thread through this Annual Report is the uncertainty that surrounds the current Standards Regime which, in the main, has been accepted as something worthwhile by the majority of Taunton Deane's Borough and Parish Councillors.

11.2 Looking ahead too far is therefore a particularly hard thing to do bearing in mind the position of flux we are currently in.

11.3 One thing is certain however, that in the foreseeable future, Taunton Deane's Standards Committee will continue to operate as before to the best of our abilities. Any complaints against Councillors will also continue to be dealt with in accordance with the agreed procedures.

12. Resources

12.1 Although the Committee's duties have been undertaken to an acceptable level, there is only so much that can be achieved within the limited resources available to the Committee.

12.2 In an attempt to spread the workload, Members themselves have again taken on various tasks during 2010/2011 to support the officers serving the Committee which has been gratefully accepted.

13. Conclusion

13.1 Taunton Deane has a Standards Committee that is committed to promoting high standards amongst Councillors both at Borough and Parish levels. For the time being, we will continue to look at ways in which we, as a Committee, can improve and serve both the Council and the community by delivering an effective service.

Anne Elder
Chairman,
Taunton Deane Borough Council Standards Committee

September 2011

Objective	Indicator	Target	How/why measured?	Achieved? Yes/No?
Good Governance practices				
	Adherence to the Standards for England Guidelines for the operation of the Committee.	To make sure the Committee is operating in accordance with the latest guidelines.	Annual assessment against the guidelines.	
	Training of Members of the Committee to maintain full awareness of latest Code of Conduct requirements and Standards for England guidance.	(1) Keeping Members informed of the latest information, for example the Standards for England newsletters; (2) Provision of Member training into the new Code of Conduct or other relevant guidance/information; (3) Feedback from external training events to be submitted to the next scheduled meeting of the Standards Committee to ensure other Members are able to share newly acquired information/ideas.	To ensure the knowledge of Members on matters relating to Standards is kept up to date.	

Objective	Indicator	Target	How/why measured?	Achieved? Yes/No?
Training and the promotion of high ethical standards				
	Training for all new Borough Councillors and Clerks to Parish Councils.	90% to receive suitable training on the Code of Conduct within three months of election and 100% within six months.	By keeping an accurate training record.	
	Training for all new Parish Councillors.	100% to receive suitable training on the Code of Conduct within twelve months of election.	By keeping an accurate training record.	
	Provision of refresher Code of Conduct training, as appropriate, for existing Members of Councils in Taunton Deane.	Refresher training to be arranged on an annual basis to ensure Members are fully aware of the Code of Conduct.	By keeping an accurate training record.	

Performance Indicators Appendix – Annual Report of the Standards Committee 2010/2011

Objective	Indicator	Target	How/why measured?	Achieved? Yes/No?
Awareness Raising				
	Taunton Deane Committee meetings to be attended by independent Standards Committee Members.	To raise awareness of the work of the Standards Committee with Members of the Council.	Attendance log to be kept.	
	Meetings with Group Leaders and Chief Executive.	To provide Members of the Committee with the opportunity to meet and discuss issues with the political Group Leaders and the Chief Executive on at least an annual basis.		
	Parish Council meetings attended by Independent Standards Committee Members	To raise awareness of the work of the Standards Committee with Members of the Parish Councils in Taunton Deane.	Attendance log to be kept.	
	Evidence of Member awareness of Code of Conduct	To ensure Members of the Council are fully aware of the Code of Conduct and its implications.	By way of the Ethical Governance Questionnaire.	
	Number of complaints made against Members of the Borough and Parish Councils resulting in adverse publicity.	No more than two incidents in total against Borough or Parish Council Members.	Reference to the complaints spreadsheet presented to each meeting of the Standards Committee.	

Performance Indicators Appendix – Annual Report of the Standards Committee 2010/2011

Objective	Indicator	Target	How/why measured?	Achieved? Yes/No?
Efficiency				
	Compliance with the timescales set out in the protocol established to deal with complaints received against Councillors.	All complaints to be dealt with within protocol timescales.	Reference to the complaints spreadsheet presented to each meeting of the Standards Committee.	
	Ensure recommendations made by the Standards Committee are included in the Corporate Improvement Plan with the aim of their adoption by the Council.	Adoption of recommendations within a reasonable timescale. (It is recognised that the timescale will vary depending on the nature of specific recommendations.) It also needs to be noted that the adoption of recommendations is outside the direct control of the Standards Committee.	To ensure properly made recommendations have been considered and, where appropriate, adopted by the Council.	

AGENDA ITEM NO. 7

Taunton Deane Borough Council

Corporate Governance Committee – 26 September 2011

Audit Commission Annual Governance Report 2010/2011

Report of the Strategic Director (Shirlene Adam).
This matter is the responsibility of the Leader of the Council, Cllr John Williams

Executive Summary
This short covering report introduces the Annual Governance report prepared by our external auditors the Audit Commission.

The report, which will be presented by our external auditors, summarised the findings from the 2010/11 audit.

The report has been accepted by officers and is a fair reflection of the audit findings.

1. Background

1.1 The Council has received an "unqualified" opinion on the 2010/11 accounts.

1.2 The arrangements for securing the economy, efficiency, and effectiveness in the use of resources received an unqualified opinion.

1.3 Last year, I reported that both the preparation and audit of accounts had been particularly difficult due to implementation issues with the SAP system. I am pleased to report that this year, things have improved. The SAP system is working effectively and the controls in the system are robust. For future years, I am confident that this will improve further.

2. Key Issues Emerging From The Audit

2.1 There are several issues that have emerged from the audit process that will help us improve our procedures for future years. These are captured in the action plan set out in Appendix 5 of the Audit Commission report. The Strategic Director, Shirlene Adam will take responsibility for ensuring this is progressed.

3. Financial Issues / Comments

3.1 The unadjusted misstatements in Appendix 3 are not of material value.

4. Legal Comments

4.1 There are no legal implications from this report.

5. Links to Corporate Aims

5.1 No direct implications.

6. Environmental and Community Safety Implications

6.1 No direct implications.

7. Equalties Impact

7.1 No implications.

8. Risk Management

8.1 The issues flagged in the action plan will be reviewed and if appropriate, entered in service risk registers.

9. Partnership Implications

9.1 The financial services team within Southwest One have worked hard to ensure the accounts preparation and audit went as smoothly as possible.

9.2 The Financial Services Manager, Paul Fitzgerald has put in place significant improvements to processes, which has meant the process of delivering the actual accounts and the audit of them has improved greatly on last year.

9.3 As always, there is room for further improvement and Paul Fitzgerald is committed to making further improvements for 2011/12 audit.

10. Recommendation

10.1 Members are requested to:

- Consider matters raised in the report and take note of the unadjusted misstatements in the Accounts set out in Appendix 3 of the Audit Commission report.
- Note the action plan as set out in Appendix 5 of the Audit Commission report.
- Approve the letter of representation on behalf of the Council as set out in Appendix A to this covering report.

Contact Officers:

Shirlene Adam Strategic Director 01823 356310 s.adam@tauntondeane.gov.uk	Maggie Hammond Strategic Finance Officer 01823 358698 m.hammond@tauntondeane.gov.uk
Paul Fitzgerald Financial Services Manager 01823 358680 p.fitzgerald@tauntondeane.gov.uk	

APPENDIX A

Shirlene Adam FCCA
Strategic Director
The Deane House, Belvedere Road, Taunton TA1 1HE
Tel 01823 356310 Fax 01823 356329
email: s.adam@tauntondeane.gov.uk

Our Ref: SA/EF
Your Ref:

26 September 2011

Brian Bethell
District Auditor

Audit Commission
Westward House
Lime Kiln Close
Stoke Gifford
Bristol
BS34 8SR

Taunton Deane Borough Council - Audit for the year ended 31 March 2011

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Taunton Deane Borough Council the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2011. All representations cover the Council's accounts and Group accounts included within the financial statements.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom give a true and fair view of the financial position and financial performance of the Council, for the completeness of the information provided to you, and for making accurate representations to you.

Uncorrected misstatements

The effects of uncorrected financial statements misstatements summarised in the schedule in the Annual Governance Report are not material to the financial statements, either individually or in aggregate.

I have reviewed the items listed in Appendix 3 of the Annual Governance Report and I recognise and accept the issues flagged by our auditors. However, as the items are not material to the Authority's accounts I am happy that the accounts are not adjusted for 2010/11.

Supporting records

All relevant information and access to persons within the entity has been made available to you for the purpose of your audit, and all the transactions undertaken by the Council have been properly reflected and recorded in the financial statements.

Irregularities

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

Related party transactions

I confirm that I have disclosed the identity of the Council's related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirement of the framework.

Tone Leisure and South West One

I confirm that I have provided you with all relevant information regarding the contractual and governance arrangements between Taunton Deane Borough Council and Tone Leisure and South West One to allow you to form a view on the Council's Group Accounts. There are no liabilities arising from the Council's relationships with these organisations other than those disclosed in the Council's financial statements.

Subsequent events

All events subsequent to the date of the financial statements, which would require additional adjustment or disclosure in the financial statements, have been adjusted or disclosed.

Signed on behalf of Taunton Deane Borough Council

I confirm that this letter has been discussed and agreed by the Corporate Governance Committee on 26 September 2011.

Signed

Name	Shirlene Adam
Position	Strategic Director
Date	26 September 2011

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Annual governance report

Taunton Deane Borough Council

Audit 2010/11

Contents

Traffic light explanation

Red ■ Amber ◆ Green ●

Key messages

This report summarises the findings from the 2010/11 audit.
It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

	Our findings
Unqualified audit opinion	●
Proper arrangements to secure value for money	●

Audit opinion and financial statements

- I intend to issue an unqualified opinion.
- The Council has improved its closedown process since 2009/10 and I will work with the Council to further improve arrangements for 2011/12.

Value for money

- I am satisfied that the council has proper arrangements in place to secure value for money.

Before I complete my audit

I confirm to you	My report includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you. **Independence** I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence. I can also confirm that I have informed members of any safeguards that I have put in place to ensure that there were no relationships resulting in a threat to independence, objectivity and integrity. The Audit Commission's Audit Practice has not undertaken any non-audit work for the Council during 2010/11.
I ask you to confirm to me	**I ask the Corporate Governance Committee to:** ■ take note of the adjustments to the financial statements which are set out in this report (Appendix 2); ■ approve the letter of representation, provided alongside this report, on behalf of the Council before I issue my opinion and conclusion; and ■ agree your response to the proposed action plan (Appendix 5).

Financial statements

Opinion on the financial statements

I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft report.

Errors in the financial statements

There were no material uncorrected errors identified as a result of our audit.

Appendix 2 details amended errors identified that are not trivial.

Appendix 3 details non trivial errors which officers have not amended in the accounts.

Financial statements

The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As Council members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit.

Key audit risk and our findings

Key audit risk	Finding
1. The change in accounting standards to International Financial Reporting Standards (IFRS).	The change to IFRS has created additional work on the Council's finance team. Based on the preparatory work that the Council had carried out during 2011 I had already identified accounting entries that the Council needed to revisit including the accrual for employee absences, leases, council houses held for sale and how government grants had been treated. In all material respects the Council has complied with the requirements of IFRS. However, there are some residual matters arising which are detailed later in this report.
2. In 2009/10 the Council introduced a new financial system, SAP which proved very challenging. Key financial controls did not operate throughout the year.	I reviewed the systems and controls of the Council's material systems in 2010/11. Although there has been an improvement in the operation of the Council's key financial controls during 2010/11, I carried out substantive testing (testing of transactions) for the earlier part of the year when the new controls were not yet operational for non pay expenditure. I also carried out substantive testing where there were weaknesses in controls. I reported my findings to the Corporate Governance Committee in July.

Financial statements

Weaknesses in internal control

I reported the results of my review of the financial controls to the Corporate Governance Committee at its meeting in July 2011. The table below summarises my findings. The report in July contained a number of recommendations which have not been repeated in this report.

These weaknesses are only those I identified during the course of the audit that are relevant to preparing the financial statements. I am not expressing an opinion on the overall effectiveness of internal control.

Internal control issues and our findings

Description of weakness	Potential effect	Management action
1 Any member of staff can complete a journal on a standard form and email to a central mailbox for input. There is no independent review of journals at the time that they are input into the system.	Errors may go undetected. There is a higher risk of material misstatement in the accounts.	The Strategic Finance Officer has undertaken a review of journals above £1m for 2010/11 and she has already undertaken a review of journals for the first few months of 2011/12.
2 There has been a significant improvement in the controls over non pay expenditure since October 2010. However, the Council needs to strengthen controls around direct input payments (where no matching of invoices is required).	Direct payments are not material to my opinion but there is a risk of incorrect payments to other organisations. While these payments are input by an approved processor, there is no check to confirm that the authorisation of these payments is correct.	The Council has introduced the electronic payment request form. This allows the payment to be authorized through SAP using the delegation table. This will significantly reduce the number of direct input payments.
3 There has been a lack of evidence of authorisation of debtor requests and of credit	This control ensures that invoices raised and credit notes are valid and accurate.	The Council will revisit the process for the paper requests. However there are

Description of weakness	Potential effect	Management action
notes.		only 5 to 6 paper requests each month. An authorized signatory list has been provided to the accounts receivable team. There is a request for service (RFS) in to create a new role within SAP for Credit Notes/Refunds which when fully tested will be given to a limited number of positions.
4 Although some assurance can be taken from the National Fraud Initiative exercise the Council does not have a programme for reviewing council tax discounts.	Without regular checking of discounts, the risk is that discounts are granted where the claimant/ household are no longer entitled resulting in lost income to the Council.	The Council is reviewing its programme for checking eligibility to single person discount. The programme will be in place by October 2011.
5 Previously the Council checked that the information recorded on the cash sheets (collected and banked from the car park machines), agreed to that recorded on the car park vault tickets produced by the machines when they were emptied. The Council no longer performs this check.	A loss of income to the Council may go undetected. My audit team checked a sample of receipts to ensure that I had sufficient evidence for my unqualified opinion.	These checks have been reinstated from May 2011.
6 Trading operations – direct service organisations. The same person can order, receipt goods and authorise payment.	There is insufficient segregation of duties, unlike the other goods that are ordered through SAP Accounts Payable. My audit team tested a sample of expenditure for my opinion.	A replacement to the COSY system is being looked at as part of the DLO internal transformation project. Any new system will address the issues raised.

Financial statements

Quality of your financial statements

I consider aspects of your accounting practices, accounting policies, accounting estimates and financial statements disclosures.

These are the issues I want to raise with you.

Accounting practices, policies, estimates and financial closures

Issue	Findings and recommendations
The Government announcement that future pension increases will be based on the Consumer Price Index rather than the higher Retail Price Index has reduced the pension liabilities of local government. Similar to other local authorities, Taunton Deane had included the credit from past service costs of £9.9m in non distributed costs in the Consolidated Income and Expenditure Statement.	The reduction of the Council's pension liabilities is an exceptional item and the Council has agreed to separately disclose the item as a narrative note at the bottom of the face of its Consolidated Income and Expenditure Statement. This should help explain the significant variance in the financial statements.
Component Accounting. The Code for 2010/11 based on IFRS requires Councils to identify significant components of its assets and to separately account for depreciation. The Council had set a threshold of asset values above £500,000 before separate components would be	For 2010/11 the Council has not identified any significant components. This is partly because in his rolling programme of valuations over 5 years the valuer had valued in this first year assets which were predominantly land (e.g. car parks). There were no separate components for the Council's housing stock because individual dwellings would not exceed the £500,000 threshold. However, for housing stock there are capital programmes which are applied to a number of

Issue	Findings and recommendations
considered. The Council had set 20% of an asset's value as significant.	dwellings. The Council will need to determine how it accounts for additional expenditure such as the replacement of kitchens, bathrooms, windows, roofs when there are no components in the asset register to replace. There is no material impact on the financial statements for 2010/11 as component accounting was introduced prospectively from 1 April 2010 and depreciation is calculated on a weighted cost average anyway.
The Council has completed its review of the majority of recharges. For the remaining two services to be reviewed, customer services and property services, the method of apportionment is based on historic data dating back a number of years.	I have determined that the Council has applied its current methods of apportionment on a reasonable basis but I recognise that accuracy of recharges should improve once this exercise is fully completed.
The Council needs to strengthen its arrangements for identifying and disclosing Related Party Transactions in its financial statements.	I have reviewed the Council's process for disclosing related party transactions and concluded that - not all declarations were made by members in 2010/11, there was one dating back to 2009 and another to 2008 - many declarations state no change, but have done so for a few years. It would help if members were provided with a list of declarations that they have already made to support their updated declarations of "no change" . - while declarations are filed, there is no master record of what disclosures are made. This will ensure that all declarations can be monitored and updated easily. Also it will ensure that disclosure of related parties for the accounts will be easier to compile.
The Council needs to set out terms of reference for instructing the valuer, including the	The Council has yet to implement my recommendation from 2009/10. It has not issued the valuer with written terms of reference or instructions that provide an audit trail and to

Issue	Findings and recommendations
requirement for annual revaluations of investment properties. **These instructions should also set out how the results of the revaluation are reported – the key assumptions that the valuer has made and the basis of the valuations.**	regularise the basis of his work. The Council should provide written terms of reference for the valuer, setting out the programme of valuations that it is commissioning. The Code does not apply the 5 year rolling programme to investment properties: their values should be reviewed at the end of each accounting period. Priorswood Toilets included in the asset register at £28K net replacement cost had not been separately identified by the valuer in his report. The Council should match the list of assets in its asset register with the valuer's report to ensure the correct classification and avoid any omissions.
Note 27 Segmental Analysis **Under the IFRS based Code, the Council is required to prepare a subjective analysis of its revenue expenditure between pay and non-pay.**	The Council has provided a segmental analysis within the financial statements, which is in line with the reporting to Committee. However it has not produced for each segment a subjective analysis of pay and non pay costs, and income sources. This is because the information is not currently presented internally in this way. The Council should ensure that it complies with the Code and produces a full segmental and subjective analysis.
Unallocated cash balances **Included in short term creditors is £92,000 of unallocated cash.**	This is where income has been received by the Council, but it has been unable to identify the service heading to which this income needs to be allocated. Most of the funds have been rolled forward from 2009/10 and relates to balances where the Council moved from the old FMS system to SAP. The Council should review this balance with a view to clear the credit balance and recognise the income.
Cash flow statement. The Council has had difficulties producing a cash flow statement and to restate the figures in 2009/10 into the current format.	The Council has revised its cashflow statement and reduced the balancing items so that they are not material for my opinion. They are £960K for 2009/10 and £125K for 2010/11.

Issue	Findings and recommendations
Rental income relating to quarter 1 for 2011/12 was included in 2010/11 income balances. The Council has included four quarters of income for 2010/11 but has not reduced the general fund balance for the receipt in advance.	The Councils' approach has not changed from the previous year. Although rental income for the year 2010/11 is fairly stated, the General Fund balance is overstated. The overall impact is not material on total income for the year of £430K but the Council should review its year end closedown for recognising the receipt in advance.

Recommendation
R1 Provide clear written instructions to the valuer to ensure that the Council meets the requirements of the Code.
R2 Provide a full segmental analysis required by the Code for the financial statements for 2011/12
R3 Investigate and clear the unallocated cash balances
R4 Review how the cash flow statement is prepared to eliminate significant balancing items
R5 Review the process for recognising and accounting for rental income in advance

Financial statements

Significant matters that were discussed or subject to correspondence with management

Leases

In its interpretation of applying IAS 17 (accounting for leases) the Council has set criteria for recognising finance leases at a level which would mean that it would be highly unlikely that the Council would recognise a finance lease. Under previous accounting standards, SSAP21, it was presumed that if the total minimum lease payments (discounted at present value) exceeded 90% of the fair value then that would indicate a finance lease (i.e. the lessee would recognise the lease on its balance sheet). International Financial Reporting Standards have removed this numeric threshold and identified a number of other indicators including whether the lease term accounted for the major part of the asset life.

For the Council to recognise a lease as a finance lease, the present value of the minimum lease payments need to exceed 90% of the fair value of the asset and the lease term has to exceed 75% of the estimated asset life. It may be that this approach inadvertently excludes some leases that ought to be treated as finance leases according to the IFRS indicators.

The Council is committed to paying £233,000 of lease payments and consequently any finance leases would not be material.

In addition, the Council has entered into a sale and lease back agreement for some of its vehicles in the DLO, which it purchased for £131,000 and sold them to a 3rd party and recognised a small loss of £368. The Council has determined the arrangement to be an operating lease but it is my opinion that this sale and lease back is a finance lease. The Council should review whether this arrangement represents value for money.

Recommendation
R6 The Council should review the accounting treatment and value for money arising from sale and leaseback proposals before they are approved.

Sundry debtors

Included in the Council’s balance sheet is £3.6m of sundry debtors, of which £2.6m are debts under 90 days. Of the remaining £1m, £0.9m relates to debts more than 2 years. The Council’s policy is to provide for all of these debts at 100%. However, it has not provided for £291K of these debts more than 2 years old. The analysis is provided below:

Table 1: **Analysis of sundry debts in excess of 2 years old for which there is no provision / impairment**

Table header	£000
Former tenant arrears	209
South West One	78
Other	4
Total	**291**

The Council has provided assurances that following contract negotiations, the debt relating to South West One will be paid. The Council will review how it calculates the provision for former tenants. and provide a reconciliation of the aged debt analysis with the figures in the balance sheet.

The report that provides the aged debt analysis is £56K more than that in the control account (and balance sheet) because the Council generates the reports on different dates. The Council has resolved to provide a reconciliation of the aged debt analysis with the figures in the financial statements.

Recommendation

R7 The Council should review its bad debt provision for former tenants and ensure that the aged debt analysis for all debts is reconciled to the figures in the balance sheet.

Letter of representation

Before I issue my opinion, auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements. The draft Letter of Representation is attached in a separate document.

Value for money

I am required to conclude whether the Council put in place proper corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion.

I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against two criteria specified by the Audit Commission. My conclusion on each of the two areas is set out below.

I intend to issue an unqualified conclusion stating that the Council had proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

Value for money criteria and our findings

Criterion	Findings
1. Financial resilience **The organisation has proper arrangements in place to secure financial resilience.** Focus for 2010/11: The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.	**The Council's general fund balance of £3.166m at 31 March 2011 is well above its minimum balance and higher than the forecast at the beginning of 2010/11 when the budget was set. However, the Council faces financial challenges for future revenue expenditure with significant reductions in Government revenue grants in 2011/12 and 2012/13. The Council's reserves have been kept deliberately high to support the Budget Review that is underway to deliver a sustainable ongoing budget position for the Council.** **The HRA balances of £1.6m at 31 March 2011 decreased by £1m over the year and are lower than forecast when the budget was agreed in February 2010. The Council has**

Criterion	Findings
	reported that this is mainly because of overspending due to a higher than forecast level of negative subsidy. Although HRA balances are above the minimum thresholds determined by the Council, the Council needs to take remedial action in 2011/12 to prevent balances falling below minimum levels. It should avoid the risk of negative HRA balances.
	The current years budget monitoring results in the first quarter show a potential overspend in of £800k in the General Fund. This is mainly due to falling levels of income in the Council's car parks, in the Planning Service and the Licensing Service. The Corporate Management Team is reviewing the position and meeting to decide on "in-year" action in early September.
	The HRA budget monitoring results for Qtr1 show a potential underspend of £166k against budget, which would result in a minor net deficit for the year. HRA reserves are projected to be at a similar level of £1.6m at 31st March 2012.
	General Fund balances
	The Council set a balanced budget for 2010/11 and during the year it was able to reduce its budget by £1m, through a one off VAT refund and efficiency savings achieved through its waste collection and recycling services. In addition, there was an underspend of £0.49m for the year through lower staffing costs, support services and homelessness.
	During 2010/11 the general fund balance increased from £1.6m to £3.2m, well above the minimum balance determined by the Council of £1.25m.
	The Government reduced the Council's revenue grants by £0.91m (13.2%) for 2011/12 and will reduce this by a further £0.67m (11.2%) in 2012/13. In its budget for 2011/12 the

Criterion	Findings
	Council set out to achieve over £1m of savings. The final budget required £0.2m of General Fund Reserves to support spending – but to compensate the General Fund Reserves were enhanced by £0.30m of earlier years invest to save initiatives. The Council's Budget Strategy allows the Council to plan to use these reserves, to allow it time to consider carefully the decisions on its services from 2012/13. Further reductions in Government revenue grants will require the Council to decide what it can afford. Members will consider the prioritisation of services to inform its budget setting for 2012/13. **HRA balances** The HRA balance at 1 April 2010 was £2.65m and the Council used some of the balance to support revenue expenditure in 2010/11 to take the balance down to £1.6m. Although this is above the minimum balances determined by the Council of £0.9m, it is still £0.8m below what it planned in February 2010. Indicative budgets for the Housing Revenue Account for 2012/13 show that unless the Council takes action to reduce expenditure then it would incur a negative balance on its HRA of £0.2m by March 2013. The Strategic Director recognises that the Council cannot incur a negative balance on its HRA and if necessary the planned maintenance budget would be delayed to avoid any deficit in HRA balances. A fundamental review of HRA spending and income is underway as the Council prepares a robust 30 year business plan to support the forthcoming HRA Reforms.

Criterion	Findings
2. Securing economy efficiency and effectiveness **The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.** Focus for 2010/11: The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.	**In 2010/11 the Council achieved significant savings and a one-off refund, which have increased its balances. The Council needs to use comparative cost information to inform its drive for greater efficiencies. Furthermore members will need to prioritise the services that the Council can afford in order that its future expenditure can be met from its reduced income.** Even before the Government announced the reductions in external support from 2011/12, the Council was identifying significant savings and increased income of £1.13m for 2011/12 (Corporate Scrutiny – 21 October 2010). The Council has achieved savings of £0.8m to date from the procurement partnership with South West One but it is lower than the original forecast when the partnership was formed in 2007. As part of its financial planning, the Council needs to consider the impact of the slippage in projected savings. Given the subsequent changes to the shape of the Council, and reductions in government revenue grants and the consequential effect on the Council's spending, the original savings projections need revisiting. Although Members have yet to make decisions about prioritising the funding of services in the future, the Council is being proactive in preparing for and meeting the financial challenge. The Council intends to assess its corporate and service priorities this autumn to set the basis for its budgets for 2012/13. In August the Council distributed information packs to members including a number of options for service provision but these packs do not include any comparative cost

Criterion	Findings
	information. Management had intended that this information should be made available but there were concerns about the reliance that could be placed on the data. The Council should develop benchmarking so that it can support members in the difficult decisions that they need to take in allocating reduced resources, underpinned by effective consultation with the public. There are a variety of sources of cost comparisons such as SPARSE and CIPFA. For example each year the Audit Commission publishes value for money indicators. The Council should use robust cost comparisons to inform its drive for greater efficiencies and the allocation of its resources to services. The Council needs to complete its review of services so that ongoing future expenditure is sustainable without the need for the support from balances.

Recommendation
R8 Determine spending priorities and reduce expenditure to ensure that future budgets are balanced.
R9 Ensure that HRA balances remain in excess of the minimum levels
R10 Use comparative information such as benchmarking to inform strategic decisions on the allocation of resources.

Appendix 1 – Draft audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TAUNTON DEANE BOROUGH COUNCIL

Opinion on the Council and Group accounting statements

I have audited the Council and Group accounting statements of Taunton Deane Borough Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The Council and Group accounting statements comprise the *Council and Group Movement in Reserves Statement, the Council and Group Comprehensive Income and Expenditure Statement, the Council and Group Balance Sheet, the Council and Group Cash Flow Statement, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement and Collection Fund* and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Taunton Deane Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Strategic Director and auditor

As explained more fully in the Statement of the Strategic Director's Responsibilities, the Strategic Director is responsible for the preparation of the Council and Group'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. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Taunton Deane Borough Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

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

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

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

Council's responsibilities

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

Auditor's responsibilities

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

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

Basis of conclusion

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

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

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

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Taunton Deane Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

I certify that I have completed the audit of the Council and Group accounts of Taunton Deane Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Brian Bethell

Officer of the Audit Commission

Audit Commission
Westward House

Lime Kiln Close
Stoke Gifford
Bristol
BS34 8SR

26 September 2011 (draft)

Appendix 2 – Amendments to the draft financial statements

I identified the following adjustments during my audit and management have adjusted the financial statements. I bring them to your attention to aid you in fulfilling your governance responsibilities.

		Comprehensive income and expenditure statement		Balance sheet	
Adjusted misstatement	Nature of adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Housing Benefit Subsidy The year end subsidy position for the Council was based upon a provisional claim. Once the final claim was prepared, this was not taken into account to revise the amounts the accounts. Expenditure and creditors had been understated.	The Council has made the adjustment to increase expenditure and reduce the General Fund Balance.	228			228

		Comprehensive income and expenditure statement		Balance sheet	
Adjusted misstatement	Nature of adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Loan Interest payable. Accrued interest had been included in the sundry creditors balance instead of adding to the value of the loans outstanding at the 31st March 2011.	The amount of interest payable has been added to the value of the loan outstanding at 31st March 2011, and no longer included in creditors balance			172	172
Note 40 – officers' remuneration – comparative information amended to ensure that it agreed to the 2009/10 accounts.	Disclosure only – no impact on the financial performance of the Council				
Collection Fund Disclosure Review of the detailed information in the Collection Fund notes found that the non domestic rateable value was based on information at 16/3/2011. The Code requires the non domestic rateable value to be disclosed as at 31 March 2011	Disclosure only – the Council has amended to include the valuation at 31 March 2011. There is no impact on the financial performance of the Council				

		Comprehensive income and expenditure statement		Balance sheet	
Adjusted misstatement	Nature of adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
NNDR Year end debtor position overstated due to incorrect reversal of prior year posting of receipts in advance for 2009/10. The impact is that the Council's Contribution to the NNDR pool is overstated. Also the creditor balance is overstated by the same amount as incorrectly shown as a receipt in advance.	No impact on the balance sheet position as the debtor and creditor balances net against each other.			375	375
Cash and cash equivalents – accounting policy did not reflect how the Council classified investments.	The Council has amended the wording of its accounting policy to include all investments maturing by 30 April 2011 as short term, rather than classified by the length of the investment.				
IFRS Restatement for 2009/10 – comparatives	Reclassification of the type of debtors £35K (from other to local authorities) and creditors £230K (central govt. to local authorities)				

		Comprehensive income and expenditure statement		Balance sheet	
Adjusted misstatement	Nature of adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Group Accounts – Tone Leisure The Council's accounts were prepared from the accounts from Tone Leisure, received as final. Following completion of the Tone Leisure audit, its accounts were subsequently amended for the adjustment to pensions from RPI to CPI. This turned a deficit of £104K to a surplus of £367K.	I received the amended Tone Leisure accounts which I passed on to the Council. The Council amended the Group Accounts to take into account the late adjustment from the auditor of Tone Leisure. Impacts upon the group accounts only. There is no impact on the financial performance of the Council				
Note 32 Grant Income note The Rent Rebate Income £11.6m had been netted against the HRA Subsidy payable £6.3m amount in the accounts. The disclosure note only then shows a net amount for Rent Rebates of £5.3m	The Council has amended the note to show the gross amounts received in 2010/11. This is disclosure only and there is no impact on the financial performance of the Council				
There have been a number of amendments to wording, arithmetic, references within the financial statements	There have been additional disclosures to explain some of the entries.				

Appendix 3 – Unadjusted misstatements to the financial statements

I identified the following misstatements during my audit, but management has not adjusted the financial statements. I bring them to your attention to help you in fulfilling your governance responsibilities and ask you to correct these misstatements.

If you decide not to amend, please tell me why in the representation letter. If you believe the effect of the uncorrected errors, individually and collectively, is immaterial, please reflect this in the representation letter. Please attach a schedule of the uncorrected errors to the representation letter.

		Comprehensive income and expenditure statement		Balance sheet	
Unadjusted misstatement	Nature of required adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Sale and leaseback The DLO purchased vehicles and then sold them to a financing company registering a small loss of £368.	The arrangement is a finance lease and the assets and liabilities should be included in the balance sheet.			131	131

		Comprehensive income and expenditure statement		Balance sheet	
Unadjusted misstatement	Nature of required adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Investment Properties and Property, Plant and Equipment (PPE). The Council needs to ensure that the classification of its assets agree with the information provided by the valuer.	There are two assets classified in the accounts and asset register as PPE but valued as investment properties Land at Longforth Road, Wellington leased to Taxis £23,500 and Site for Transmitter Mast, Priory Way Depot, Taunton £63,500 The Council should ensure that the classification of its non current assets (PPE and investment properties) in its asset register agrees with the classification provided by the valuer.				
The Council did not accrue for DLO timesheets entered in the new financial year which related to jobs completed in 2010/11.	Expenditure is understated and the general fund and housing revenue account balance should be reduced. The DLO trading account income balance is understated by the same amount.	50			50

		Comprehensive income and expenditure statement		Balance sheet	
Unadjusted misstatement	Nature of required adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
The incorrect consolidated rate of interest was applied when calculating the Council's Housing Revenue Account subsidy for 2010/11.	Expenditure is understated and the housing revenue account balance should be reduced.	24			24
Capital creditors. I reviewed two capital accruals (estimates of expenditure incurred before 31 March) The actual payments in April and May 2011 exceeded the accrual in the accounts by £100K and £16K. However, further testing identified an over accrual of £61K which offsets the two under accruals.	Capital expenditure is understated but not by a material amount.			56	56

Appendix 4 – Glossary

Annual governance statement

A statement of internal control prepared by an audited body and published with the financial statements.

Audit closure certificate

A certificate that I have completed the audit following statutory requirements. This marks the point when I have completed my responsibilities for the audit of the period covered by the financial statements.

Audit opinion

On completion of the audit of the financial statements, I must give my opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
- whether they have been prepared properly, following the relevant accounting rules.

Opinion

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view.

Materiality and significance

The Auditing Practices Board (APB) defines this concept as ‘an expression of the relative significance or importance of a particular matter for the financial statements as a whole. A matter is material if its omission would reasonably influence users of the financial statements, such as the addressees of the auditor’s report; also a misstatement is material if it would have a similar influence. Materiality may also be considered for any individual primary statement within the financial statements or of individual items included in them. We cannot define materiality mathematically, as it has both numerical and non-numerical aspects’.

The term ‘materiality’ applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

‘Significance’ applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit in relation to the financial statements. Significance has both qualitative and quantitative aspects.

Weaknesses in internal control

A weakness in internal control exists when:

- a control is designed, set up or used in such a way that it is unable to prevent, or detect and correct, misstatements in the financial statements quickly; or
- a control necessary to prevent, or detect and correct, misstatements in the financial statements quickly is missing.

An important weakness in internal control is a weakness, or a combination of weaknesses that, in my professional judgement, are important enough that I should report them to you.

Value for money conclusion

The auditor’s conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources based on criteria specified by the Audit Commission.

The Code of Audit Practice defines proper arrangements as corporate performance management and financial management arrangements that form a key part of the system of internal control. These comprise the arrangements for:

- planning finances effectively to deliver strategic priorities and secure sound financial health;
- having a sound understanding of costs and performance and achieving efficiencies in activities;
- reliable and timely financial reporting that meets the needs of internal users, stakeholders and local people;
- commissioning and buying quality services and supplies that are tailored to local needs and deliver sustainable outcomes and value for money;
- producing relevant and reliable data and information to support decision making and manage performance;
- promoting and displaying the principles and values of good governance;
- managing risks and maintaining a sound system of internal control;
- making effective use of natural resources;
- managing assets effectively to help deliver strategic priorities and service needs; and
- planning, organising and developing the workforce effectively to support the achievement of strategic priorities.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.

Appendix 5 Action Plan

Recommendations	
Recommendation 1	
Provide clear written instructions to the valuer to ensure that the Council meets the requirements of the Code.	
Responsibility	Financial Services Manager
Priority	Medium
Date	31 March 2012
Comments	Agreed
Recommendation 2	
Provide a full segmental analysis required by the Code for the financial statements for 2011/12	
Responsibility	Financial Services Manager
Priority	Medium
Date	30 June 2012
Comments	Agreed
Recommendation 3	
Investigate and clear the unallocated cash balances	
Responsibility	Financial Services Manager

Priority	Medium
Date	31 December 2011
Comments	Agreed
Recommendation 4	
Review how the cash flow statement is prepared to eliminate significant balancing items	
Responsibility	Financial Services Manager
Priority	Medium
Date	31 March 2012
Comments	Agreed
Recommendation 5	
Review the process for recognising and accounting for rental income in advance	
Responsibility	Financial Services Manager
Priority	Medium
Date	30 June 2012
Comments	The Council is satisfied that the comprehensive income and expenditure statement includes four quarters of rental income. The Council will disclose in its accounting policies its assumptions that to adjust the balance sheet for a receipt in advance is not material. It will disclose the estimated impact on the balance sheet.
Recommendation 6	
The Council should review the accounting treatment and value for money arising from sale and leaseback proposals before they are approved.	
Responsibility	Financial Services Manager for the accounting treatment and the

	Highways and Cleansing Manager to consider value for money
Priority	Medium
Date	31 December 2012
Comments	Agreed
Recommendation 7	
The Council should review its bad debt provision for former tenants and ensure that the aged debt analysis for all debts is reconciled to the figures in the balance sheet.	
Responsibility	Financial Services Manager
Priority	Medium
Date	31 March 2012
Comments	Agreed
Recommendation 8	
Determine spending priorities and reduce expenditure to ensure that future budgets are balanced.	
Responsibility	Strategic Director
Priority	High
Date	31 March 2012
Comments	Agreed. This recommendation is in hand and will be dealt with as part of the Medium Term Financial Plan and budget setting for 2012/13.
Recommendation 9	
Ensure that HRA balances remain in excess of the minimum levels	
Responsibility	Strategic Director
Priority	High

Date	31 March 2012
Comments	Agreed. This recommendation is in hand and will be addressed in the HRA business plan.

Recommendation 10	
Use comparative information such as benchmarking to inform strategic decisions on the allocation of resources.	
Responsibility	Client and Performance Lead
Priority	High
Date	31 December 2012
Comments	Agreed.

If you require a copy of this document in an alternative format or in a language other than English, please call:
0844 798 7070

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors, members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

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September 2011

AGENDA ITEM NO. 8

Taunton Deane Borough Council

Corporate Governance Committee – 26 September 2011

Approval of the Statement of Accounts for 2010/11

Report of the Strategic Director, Shirlene Adam
This matter is the responsibility of Executive Councillor Williams (Leader of the Council)

1. Executive Summary

> The Statement of Accounts for 2010/11 is required to be approved by the Corporate Governance Committee and signed by the s.151 Officer (Shirlene Adam) and Chair of the Committee (Councillor Denington).
>
> This report also introduces the Annual Governance Report which was prepared by and will be presented by the council's external auditors – Audit Commission.

2. Background

2.1 The Accounts and Audit Regulations 2011 require the Statement of Accounts to be approved by a resolution of a nominated committee. The current constitutional arrangements devolve this responsibility to the Corporate Governance Committee. In addition to being signed by the Council's S151 officer, the annual accounts have to be signed by the Chair of the Council Committee that approves those accounts. This responsibility therefore falls upon the Chair of this Committee.

2.2 Previously the committee would have been required to approve the accounts before 30 June each year. For the 2010/11 accounts onwards this has now changed and the committee is required to approve the accounts following completion of the external audit. The Accounts and Audit Regulations 2011 also require that the Statement of Accounts is to be approved by Members by 30 September and be published on the Councils website.

2.3 The Councils Statement of Accounts have been audited by the Audit Commission and they have issued an unqualified opinion and this is contained within the attached Statement of Accounts.

3. Statement of Accounts

3.1 The format of the Statement of Accounts has changed for 2010/11 due to the introduction of International Financial Reporting Standards (IFRS). IFRS has significantly changed the presentation of some key statements and in particular both the 2008/09 and 2009/10 Balance Sheets have been restated to take into account the changes – however as the changes are presentational they do not affect the overall 'bottom line'.

3.2 The Financial Services Manager and Principal Accountant will make a brief presentation on the main changes and major areas of the Statement of Accounts and will be available for any queries the Committee may have. As the Statement of Accounts is a largely technical document it would be useful to receive advance notification of particular questions in order that a comprehensive answer can be provided at the meeting. Questions should be addressed to Paul Fitzgerald, Financial Services Manager whose contact details are shown below.

4. Amendments to the Statement of Accounts arising from the audit

4.1 Over recent weeks Audit Commission have been reviewing the draft Statement of Accounts for 2010/11 and accompanying working papers. As a result during the audit period they have identified and requested amendments to these Statements. In particular material amendments that have been made are shown in the below table.

Description	**Value £'000**	**Impact**
1. Loan interest: reclassification in the balance sheet of accrued interest	172	Value of the accrual has been removed from creditors in the balance sheet and added to both long term and short term borrowing
2. Officers remuneration: 2009/10 comparative information has been restated	Nil	Note 40 has been amended
3. Collection Fund: Non-Domestic rateable value as reported in the accounts was incorrect as was based on data as at 16th March and should have been based upon data as at 31st March	Nil	No impact on any primary financial statements
4. Housing Benefit Subsidy: the accounts submitted to audit were based upon the provisional Housing Benefit Subsidy claim. Since then the final claim has been prepared and has reduced the Councils entitlement to subsidy (income). This amendment represents less than 0.6% of the total subsidy receivable	203	The Comprehensive Income & Expenditure Account has been amended, as have General Fund balances which now stand at £2.9m. This amended balance will be reported to the Executive through future budget monitoring reports
5. NNDR debtor balances: reclassification of 2009/10 receipts in advance	375	Debtor and Creditor balances in the Balance Sheet have been restated. No impact on reserves.
6. Cash & Cash Equivalents: clarification of accounting policy in the Statements	Nil	Re-wording of accounting policy regarding short term investments

7. Group Accounts – Tone Leisure: Accounts presented to audit included only draft accounts for Tone Leisure which have been subsequently amended by their auditors. The council is required to reflect this amendment in its own Group Accounts	Nil	Minor amendment in the Group Accounts
8. Grant Income Note 32: Rent Rebate income had been incorrectly netted down against Housing Subsidy payable	Nil	This note has been amended to show the grants on a gross basis
9. IFRS restatement of 2009/10 comparatives: reclassification of the analysis of debtor and creditors	265	This is a disclosure reclassification only
10. Cash Flow Statement: The cash flow statement has been restated following errors and misstatements found during the audit process	Nil	This statement has been amended as required
11. Minor amendments, cross referencing and increased disclosures made	Nil	Notes have been amended as necessary

4.2 In addition to the above there are also a number of immaterial changes requested by the auditor that have not been reflected in the Statements and these will be corrected during the financial year 2011/12.

5. Legal Comments

None

6. Links to Corporate Aims

6.1 The Statement of Accounts report the financial activities of the council in the delivery of its corporate aims.

7. Environmental and Community Safety Implications

None

8. Equalities Impact

8.1 Copies of the accounts are available in a variety of formats.

9. Risk Management

9.1 The issues flagged in the action plan will be reviewed and if appropriate, entered in service risk registers.

10. Partnership Implications

10.1 The preparation of the accounts is carried out by Southwest One on behalf of the council. A review of the Statement of Accounts preparation and audit process will be carried out to identify further improvement areas.

11. Recommendations

Members are requested to:

11.1 Note the content of the Annual Governance Report action plan as attached;

11.2 Approve the Statement of Accounts for 2010/11, as attached;

11.3 Subject to the approval as recommended in 11.2 above, the Chairman of the committee is requested to sign the Statement of Accounts for 2010/11.

Contact: Shirlene Adam
Strategic Director
01823 356310
s.adam@tauntondeane.gov.uk

Paul Fitzgerald
Financial Services Manager
01823 358680
p.fitzgerald@tauntondeane.gov.uk

Tracey Healy
Principal Accountant
01823 358685
t.healy@tauntondeane.gov.uk

Contents

Foreword by the Section 151 Officer

A SUMMARY OF THE COUNCIL'S FINANCIAL PERFORMANCE 2010/11

This foreword highlights some of the most important matters reported in the accounts and comments on any issues that have had a major effect on our finances.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The financial reporting and statement of accounts for the Council are reported for the first time in 2010/11 in line within International Financial Reporting Standards (IFRS). This adoption of this change has involved a significant amount of work, and has led to some fundamental changes to the presentation of the Council's financial performance and the way certain items are accounted for. The implications of this change are explained as necessary within the document and specifically in Note 42 on page 79. Overall, the adoption of IFRS has not changed the underlying financial position for the Council, but rather brings our financial reporting into line with current statutory requirements.

THE FINANCIAL STATEMENTS

The main financial statements contained within the Statement of Accounts are as follows.

- The **Movement in Reserves Statement** (pages 14 and 15) shows the changes in the Council's financial resources over the year, by showing the movement on the different reserves held, analysed into 'usable reserves' (that can be used to fund spending) or other reserves
- The **Comprehensive Income and Expenditure Statement** (page 16) brings together details of the Council's day-to-day revenue spending and income on its services, and other gains and losses in the year.
- The **Balance Sheet** (page 17) provides a snapshot of the Council's financial position at 31 March and sets out what is owned and what is owed.
- The **Cash Flow Statement** (page 18) summarises the flows of cash into and out of the council during the year.
- The **Notes to the Financial Statements** (pages 19-79) provide supplementary information on some of the figures contained within the primary statements. They also include accounting policies, which guide the treatment of income and expenditure and disclosures relating to the assets and liabilities of the Council.

A more detailed explanation of each of the main statements is included alongside each of those statements within the Statement of Accounts.

IMPORTANT DEVELOPMENTS

Organisational Changes

During 2010/11 the Council continued to implement the structural changes required to deliver thematic working. The proposals have delivered significant savings to the organisation, and have created a structure that is fit for purpose and will deliver our vision. This will need further review during 2011/12 as the Council delivers the challenges of its budget strategy.

Southwest One

During 2007/08 the Council created its strategic joint venture partnership with Somerset County Council (SCC), Avon and Somerset Police and IBM to improve the access to and delivery of services to our customers – called Southwest One.

During 2009/10, a new financial system (SAP) was introduced. The new system provides the foundation for a number of improvements and efficiencies in the coming years. The implementation was complex and has taken some time, but has been largely completed during 2010/11.

Project Taunton
Work continued on the Firepool site with our development partner St Modwens. This is a significant step in the regeneration of Taunton, described more fully in Note 3 on page 35.

Sort It Plus
Somerset Waste Partnership finalised the roll-out of the "Sort-It Plus" scheme for waste collection throughout Taunton Deane during 2010/11. All households now have weekly collection of food and recyclable waste, with non-recyclable and garden waste now collected on an alternate fortnightly basis.

Debt Collection
The Council, working with its partner Southwest One has made significant improvements in the levels of debt collected during 2010/11. The collection rates for council tax, business rates, and rents have all increased.

FINANCIAL OVERVIEW

The Movement in Reserves Statement shows that the Councils usable reserves have increased during the year.

General Fund unearmarked reserves or 'general balances' have increased to £2.937m. Later in this foreword I explain the financial challenges faced by the Council, and having reserves at this level provides some resilience as the Council takes the necessary steps to meet that challenge.

The Housing Revenue Account (HRA) unearmarked reserve has reduced to £1.594m. The HRA unearmarked reserve is in place to support housing landlord services in future years, and it is normal for the balance to fluctuate.

Earmarked reserves are funds that are set aside for specific purposes reflecting commitments to spend on General Fund and HRA services in future years. The balance at the end of 2010/11 is £6.859m for General Fund (GF) services and £0.581m for HRA services.

Capital reserves reflect funds set aside to fund investment in capital items in future years, and largely comprise grants and contributions that are committed on projects to be completed in 2011/12 and later financial years. The Council currently holds £5.380m of capital reserves, the large majority of which is committed on projects on the capital programme.

Revenue Budget – General Fund
In February 2010 this Council agreed the 2010/11 budget at £14.428million. This resulted in a Band D Council Tax of £135.19, which was a 2.5% increase over the previous year. During the year the Council was able to reduce its Budget overall by £1.019m reflecting a significant one-off VAT refund (£577,000), efficiency savings related to waste collection and recycling services (£250,000), and the return of surplus earmarked reserves and invest to save efficiency savings. The final budget for the year was £13.409m.

The net outturn for 2010/11 was £13.146million, which gives a significant underspend of £0.263m for the year. The net underspend arises for a variety of reasons including lower costs related to staffing, support services and homelessness.

Further information for spending on services, and other operating costs and income is shown within the Comprehensive Income and Expenditure Account and Notes.

Revenue Expenditure – Housing Revenue Account (HRA)
The Council continues to be a major provider of social housing, working closely with housing associations and other social landlords to provide affordable housing for tenants in the Borough. The HRA only accounts for the costs of housing people in Council-owned accommodation. The Local Government Act 1989 requires that this expenditure is ring-fenced and cannot be subsidised by the General Fund.

The outturn on the account was a deficit of £1.053m in 2010/11, which represents an overspend of £0.758m compared to the final Budget. This was largely due to an under-estimate of the Subsidy payment the Council has to pay to Central Government. Although the outturn deficit shows a deficit of just over £1m, the position in the financial statements is significantly different to this. This is because of a revaluation loss of £74.7m charged to the Surplus/Deficit on the Provision of Services related to the council housing stock. This is explained further in Note 5 on page 37, and although a significant figure, it does not affect the Housing Revenue Account reserves as the cost is an 'accounting valuation' only and is adjusted out in the Movement in Reserves Statement.

Pensions

The Council's share of the overall pension fund deficit decreased from £61.5m at 31 March 2010 to £45.4m at 31 March 2011. The deficit has decreased by some 26%, which is largely due to the Government's announcement that it intends to increase future pensions in line with the Consumer Price Index (CPI) rather than Retail Price Index (RPI). This results in a reduction in the actuarial valuation of future pension obligation.

In recent years the level of reported pension deficit has changed significantly from year to year, reflecting the sensitivity to changes in actuarial assumptions and market conditions. Despite the changes in valuation, this is a real liability that has resulted from pension entitlement earned by employees. The liability appears in the Council's Balance Sheet but any immediate impact on levels of Council Tax is neutralised by a matching Pensions Reserve. Funding of the deficit will be met in future years by a combination of increased contributions and changes in the value of the Pension Fund. Actuarial valuations are made every three years and these will guide the Council in addressing the amount of the deficit.

Capital Spending In 2010/11

In addition to our spending on day-to-day service provision, the Council spends money on assets such as buildings, major improvements to parks, and contributions to jointly financed schemes.

Capital expenditure in the year totalled £11.537m (£9.705m in 2009/010), which is £2.041m below the budget for the year of £13.578m. The Housing Revenue Account programme was overspent by £0.195m mainly due to investment in maintaining the 'Decent Homes' standard. The General Fund programme reported an underspend of £2.146m but taking into account commitments for slippage of £2.179m on capital projects (significantly mercury abatement works at the Crematorium and various housing capital grant commitments) the 'real' position is a minor overspend of just £0.033m in the year. Funding for slippage will be carried forward into the following financial year until the project is complete (thereby ensuring that overall the programme as a whole remains affordable).

Included within the total capital expenditure was Housing capital expenditure of £7.732m (£5.640m in 2009/10), of which £6.653m was spent on council properties; and £1.079m on Renewal Grants, grants to Housing Associations, and other social housing initiatives. During 2010/11, 11 dwellings were sold compared to 7 in the previous year.

The remaining £3.805m of capital expenditure was invested in non-housing projects during the year. This included £2.52m on land and property purchases and infrastructure works and growth projects related to Project Taunton; £0.83m on play areas and equipment; with the balance invested in information technology, vehicles and other minor schemes.

Overall the Council has sufficient resources available to meet its approved capital programme but recognises that further funds will be required to meet all our future aspirations.

Treasury Management

At 31 March 2011, the Council held investments of £12.3m (£8.6m in 2009/10). The return on these investments included in the revenue accounts amounted to £0.115m (£0.17m in 2009/10).

Total borrowing amounted to £15.8m at 31 March 2011 (£16.4m in 2009/10), of which £6m (including accrued interest) is repayable in 2011/12. The cost of borrowing and management of debt charged to the revenue accounts during 2010/11 was £0.64m (£0.66m in 2009/10).

Although proactive treasury management continues to ensure that the Council minimises its interest payable on external borrowings, and invests any temporary cash surpluses to generate investment income, the net impact of this continues the trend from the previous financial year and remains low given the current historically low level of interest rates.

LOOKING AHEAD…

Budget Challenges
For 2011/12 the Council has produced a balanced budget (£11.9m net budget requirement) with a 0% increase in council tax (Band D Tax remains at £135.19).

The Government has been clear on the need for cuts in public sector spending. It expects the cuts in Government Department spending to be in the region of 25 – 40% over a four year period. District Councils traditionally have not fared well in grant distributions (for 2011/12 the Council's Revenue Government Grant was cut by 13.2% (£0.909m), with a further cut of 11.2% (£0.671m) planned for 2012/13). Taunton Deane is therefore starting to plan for a grant reduction in the region of 40% over the next 4 year period.

The Council is reviewing every area of spend and will aim to develop a strategic plan that will show how these financial challenges can be met. The aim is that by adopting a strategic approach we can hopefully steer the organisation safely through the challenges ahead, and be transparent with customers and staff on the direction the Council is heading in. The Council will need to react flexibly to this strategic approach – by using reserves to smooth the impact of the cuts over this period, and by looking at innovative ways to deliver and charge for services.

DLO Review
The Council has commissioned a fundamental review of how our direct labour organisation operates. This is our skilled workforce which supports the maintenance of our Council homes, the maintenance of our parks and playing fields, and the cleansing of the Boroughs streets – as well as many other services.

The Council has decided to continue to deliver these services directly, rather than outsource them, for the next couple of years. This will give time for the internal transformation plans to be delivered – and hopefully significant savings materialise for the Council

Housing Reform
The Government has decided to change the funding arrangements that support Councils who still own their Council homes. Taunton Deane has around 6,000 homes. The new regime will come into place early in 2012, and will mean the Council taking on significant new debt (estimated at £87.2m). The Council is currently preparing a robust 30 year business plan to support this level of borrowing.

FURTHER INFORMATION

Summarised information from these accounts can also be found in the Council's Annual Report or on the Council's website (www.tauntondeane.gov.uk).

Further information on the contents of these statements, easy to read summary versions and additional copies of this booklet can be obtained from:

S Adam FCCA, Section 151 Officer, The Deane House, Belvedere Road, Taunton, TA1 1HE
Telephoning: (01823) 356310
E-mail to: s.adam@tauntondeane.gov.uk

The Statement of Responsibilities for the Statement of Accounts

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 Strategic Director.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

Strategic Director:

The Strategic Director is responsible for the preparation of the Council's Statement of Accounts which, in accordance with proper practices as set out in the CIPFA (Chartered Institute of Public Finance and Accounting)/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (referred to as the Code).

In preparing this Statement of Accounts the Strategic Director has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the local authority Code.

The Strategic Director has also:

- Kept proper accounting records which are up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification of the Accounts

This Statement of Accounts gives a true and fair view of the financial position of Taunton Deane Borough Council at 31 March 2011 and its income and expenditure for the year ended 31 March 2011.

S Adam FCCA
Strategic Director
Section 151 Officer

26 September 2011

Approval of the Accounts

This Statement of Accounts was approved by resolution of the Corporate Governance Committee under powers allocated by the constitutional arrangements of the Council.

Brian Denington
Chair of Corporate Governance

26 September 2011

Taunton Deane Borough Council Annual Governance Statement 2010/11

Scope of responsibility

Taunton Deane Borough Council is responsible for making sure that:-

- its business is conducted in accordance with the law and proper standards
- public money is protected and properly accounted for
- public money used economically, efficiently and effectively.
- there is a sound system of governance incorporating the system of internal control.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

Taunton Deane Borough Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework "*Delivering Good Governance in Local Government*". A copy of the code can be obtained on request.

This statement explains how Taunton Deane Borough Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of statement on annual governance.

Purpose of the Governance Framework

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

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

The governance framework has been in place at Taunton Deane Borough Council for the whole year ended 31 March 2011 and up to the date of approval of the statement of accounts.

The Governance Framework
In March 2008, Taunton Deane Borough Council adopted a formal code of corporate governance in line with guidance provided by CIPFA and SOLACE. This describes how Taunton Deane discharges its responsibilities for putting in place proper arrangements for the governance of its affairs, incorporating the six core principles identified by CIPFA / SOLACE. The framework we have in place to ensure we adhere to the Code is described in more detail below.

Core Principle 1 : Focusing on the purpose of the Council and on outcomes for the community creating and implementing a vision for the local area.

- The Council has a 3 year Corporate Strategy, which sets out the corporate aims and a series of organisational objectives embodying how the council will deliver services and meet statutory requirements. The Corporate Strategy is the Council's core planning document, from which the Financial Strategy, Medium Term Financial Plan, Annual Budget, Asset Management Plan, Capital and Housing Strategies are formed to underpin the corporate aims. Service Plans are produced from the Corporate Strategy to show how each service will contribute to the delivery of the Corporate Aims and its service objectives.

- The Performance Outturn Report and Annual Accounts review our performance over the last year, highlighting some practical examples of our achievements.

- Scrutiny Committees and the Executive regularly review our performance and delivery of the plans and priorities.

- Community Strategy for Taunton has been produced through the Local Strategic Partnership (LSP – now Taunton Deane Partnership) in consultation with partners and sets out a broad agenda of action to improve the quality of life.

- The Somerset Strategic Partnership (SSP) has produced a Sustainable Community Strategy for Somerset 2009-2026, setting out a vision of a dynamic, successful modern economy that supports respects and develops Somerset's distinctive communities and unique environment".

Core Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles.

- The Council's constitution documents the roles and responsibilities of the Council, Executive, Scrutiny, Policy Development, Regulatory and Officer functions. The constitution is kept under review by the Constitutional Sub-Committee. All proposed changes are considered by the Corporate Governance Committee and Full Council. This has been reviewed and updated during 2010/11.

- The Statutory Officers are now meeting quarterly as a Corporate Governance Group. The Monitoring Officer and S151 Officer are members of the Corporate Management Team.

- The strategic direction of the organisation and sponsorship of key objectives and priorities is undertaken by the Corporate Management Team, which consists of the Directors, Theme Managers and a representative of Southwest One – who meet on a fortnightly basis with the Chief Executive.

- The Leader and Chief Executive meet on a regular weekly basis in order to maintain a shared understanding of roles and objectives.

- The statutory roles of Monitoring Officer and Chief Finance Officer are well established with their own control regimes to enhance the control environment.

- There is a member/officer protocol that sets out the standards of behaviour expected to ensure a good working relationship between members and officers.

- We review our financial management arrangements on a regular basis to ensure they conform to the requirements of CIPFA Statement on the Role of the Chief Finance Officer in Local

Government (2010). The review confirmed that during the financial year 2010/11 the Council complied with these requirements.

Core Principle 3: Promoting the values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- The Council's Standards Committee is chaired by and has a majority of independent members. The Committee promotes and maintains high standards of conduct by Councillors, advising and training on the member's code of conduct, dealing with complaints against members, and any issues raised by the Monitoring Officer. The Committee submits an annual report to the Council's Corporate Governance Committee.

- Managers are responsible for making sure members of staff keep to policies, procedures, laws and regulations and for making sure that we include risk management in our work.

- A complaints procedure is in place for the Council to receive and investigate any complaint made against Borough or Parish members.

- The Council has revised its Whistle-blowing Policy and this is published in the Council's staff handbook and intranet. The handbook contains all key personnel policies, standards, procedures and codes of conduct.

- Internal and External audit work together to review and provide annual opinions on the control framework, governance and validity of the annual accounts.

Core Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and risk management arrangements

- Taunton Deane Borough Council has a published Constitution that sets out the decision-making arrangements and the responsibilities for different functions. There are clear rules of procedure for the running of business meetings and details of delegated authorities to individuals.

- Corporate Scrutiny and Community Scrutiny were set up in April 2009. Performance issues identified in the monitoring reports can be referred to other committees for further scrutiny.

- The main decision making body of the Council is the Executive, which consists of the Leader together with 7 Councillors and carries out all of the Council's functions, which are not the responsibility of any other part of the Council.

- Council meetings are open to the public (with the exception of items that are exempt under the Access to Information Act). The Council makes every effort to advertise meetings, communicate decisions and minutes to ensure they are publicly available.

- The Executive has a published Forward Plan of Decisions to be taken and meets in public on a monthly basis. Executive Councillors have delegated authority to make certain decisions, which are published in the Council's Weekly Bulletin. This, together with an appropriate level of delegation to senior managers, enables speedy and effective decision-making. In addition, all draft Executive minutes are circulated with a call-in pro-forma to all councillors, ensuring a prompt response to any request.

- The Council has approved a Risk Management Policy that identifies how risks are managed.

- TDBC operates a Corporate Governance Committee which is independent of the Executive and Scrutiny functions of the Council. They cover a wide remit and deal with such things as health and safety, risk management, recommend changes to the Constitution in addition to receiving any audit reports given to the Authority.

Core Principle 5: Developing the capacity and capability of members and officers to be effective in their roles

- The Council aims to ensure that officers and members have the knowledge, capacity and skills they need to undertake their duties, and this is reviewed through the appraisal system. An induction programme is in place for all new staff and new Members.

- The Council's Performance Management Framework ensures that the links between the Council's Corporate Objectives, Operational Plans and those of individual officers are clear.

- The Council has undertaken a significant programme of management development over the last few years to ensure its leadership team is equipped to support the challenging change programme that lies ahead.

- The Council has a training plan for members together with regular member briefings which cover a range of issues and to ensure that the members are fully equipped with the skills they need in order to be effective leaders in their community.

Core Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability

- The Council consults using a variety of methods, which include public meetings, forums, surveys, feedback forms and focus groups. Listening to and understanding the views of residents, services users, business people, visitors and staff is important to Taunton Deane Borough Council.
- Council's vision and priorities are regularly communicated to the Community through the Somerset County Gazette
- The Council produces the Annual Statement of Accounts. The Council tax booklet shares with payers, details on the Council's financial strategy, priorities, performance and other useful information.

- Committee and Council meetings are open to the public, with papers available on the internet.

- There is regular community engagement and participation through specific community groups involving Housing, Environmental Health, Planning and Democratic Services.

Review of effectiveness

Taunton Deane Borough Council has responsibility for conducting, at least annually, a review of its governance framework including the effectiveness of the system of internal control. The review of the effectiveness is informed by senior managers within the Council who have responsibility for the development and maintenance of the governance environment, and also by the work of the internal auditors, external auditors.

The review for the 2010/11 statement was led by the s151 Officer, supported by the Monitoring Officer, the Council's Group Auditor and Performance Manager. The review was informed by:

- Internal Audits annual opinion report for 2010/11
- The effectiveness of internal audit
- External auditors comments
- The Councils Governance Action Plan
- Input From The Work Of the Standards Committee

The conclusion of the review is that, overall, the governance arrangements are reasonable. Some issues need attention and they are set out below.

Significant governance issues

During the year the Group Auditor (South West Audit Partnership) brought a number of control issues to the attention of the Council's Corporate Governance Committee. The opinion of the Internal Auditors was that the control environment was reasonable in 2010/11.
Key governance issues for the Council to progress in order to strengthen the control framework include:-

- Ensuring we have up to date business continuity plans for all services
- Ensuring we have up to date disaster recovery plans for major risk areas of the Council.
- Ensuring our Partnerships realise the benefits they are intended to achieve.
- Ensuring that Equalities Assessments is embedded in our decision making process.
- Strengthening our arrangements for managing and monitoring s106 agreements
- To update the Councils policies on Fraud and Debt Management and introduce regular briefings on these areas to Members.
- Improve benchmarking and Value For Money arrangements
- To develop the Council's Strategic IT and Property arrangements
- To continue to review the operation of and usage of SAP to ensure that the internal control framework remains robust.
- To update the Councils Financial Regulations.

The Council proposes over the coming year to take steps to address the above matters to further enhance our governance arrangements and regularly report back to the Corporate Governance Committee on progress being made. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

(DRAFT) INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TAUNTON DEANE BOROUGH COUNCIL

Opinion on the Council and Group accounting statements
I have audited the Council and Group accounting statements of Taunton Deane Borough Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The Council and Group accounting statements comprise the *Council and Group Movement in Reserves Statement, the Council and Group Comprehensive Income and Expenditure Statement, the Council and Group Balance Sheet, the Council and Group Cash Flow Statement, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement and Collection Fund* and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies. This report is made solely to the members of Taunton Deane Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Strategic Director and auditor
As explained more fully in the Statement of the Strategic Director's Responsibilities, the Strategic Director is responsible for the preparation of the Council and Group'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. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Opinion on accounting statements
In my opinion the accounting statements:
• give a true and fair view of the state of Taunton Deane Borough Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
• give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
• have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

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

Matters on which I report by exception
I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

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

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

Auditor's responsibilities
I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

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

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

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

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

Conclusion
On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Taunton Deane Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate
I certify that I have completed the audit of the Council and Group accounts of Taunton Deane Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Brian Bethell
Officer of the Audit Commission

Audit Commission
Westward House
Lime Kiln Close
Stoke Gifford
Bristol
BS34 8SR

Movement in Reserves Statement

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

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	**Total Usable Reserves £'000**	Unusable Reserves £'000	**Total Council Reserves £'000**
Balance as 31 March 2009 carried forward	**1,574**	**6,531**	**2,757**	**1,024**	**614**	**0**	**1,740**	**14,240**	**311,217**	**325,457**
Movement in Reserves during 2009/10:										
Surplus or (deficit) on provision of services	4,655	0	(31)	0	0	0	0	**4,624**	0	**4,624**
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	**0**	4,386	**4,386**
Total Comprehensive Income and Expenditure	**4,655**	**0**	**(31)**	**0**	**0**	**0**	**0**	**4,624**	**4,386**	**9,010**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(3,830)	0	433	0	146	0	3,548	**297**	(298)	**(1)**
Net Increase/Decrease before transfers to Earmarked Reserves	**825**	**0**	**402**	**0**	**146**	**0**	**3,548**	**4,921**	**4,088**	**9,009**
Transfers (to)/from Earmarked Reserves (Note 8)	(835)	835	(513)	513	0	0	0	0	0	0
Increase/(Decrease) in 2009/10	**(10)**	**835**	**(111)**	**513**	**146**	**0**	**3,548**	**4,921**	**4,088**	**9,009**

Movement in Reserves Statement (continued)

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	**Total Usable Reserves £'000**	Unusable Reserves £'000	**Total Council Reserves £'000**
Balance as 31 March 2010 carried forward	**1,564**	**7,366**	**2,647**	**1,537**	**760**	**0**	**5,288**	**19,162**	**315,305**	**334,467**
Movement in Reserves during 2010/11:										
Surplus or (deficit) on provision of services	5,943	0	(76,329)	0	0	0	0	**(70,386)**	0	**(70,386)**
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	**0**	(7,512)	**(7,512)**
Total Comprehensive Income and Expenditure	**5,943**	**0**	**(76,329)**	**0**	**0**	**0**	**0**	**(70,386)**	**(7,512)**	**(77,898)**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(5,245)	0	74,315	0	194	0	(862)	**68,402**	(68,402)	**0**
Net Increase/(Decrease) before transfers to Earmarked Reserves	**698**	**0**	**(2,014)**	**0**	**194**	**0**	**(862)**	**(1,984)**	**(75,914)**	**(77,898)**
Transfers (to)/from Earmarked Reserves (Note 8)	431	(431)	956	(956)	0	0	0	**0**	0	**0**
Other movements	244	(76)	5	0	0	0	0	**173**	0	**173**
Increase/(Decrease) in 2010/11	**1,373**	**(507)**	**(1,053)**	**(956)**	**194**	**0**	**(862)**	**(1,811)**	**(75,914)**	**(77,725)**
Balance at 31 March 2011 carried forward	**2,937**	**6,859**	**1,594**	**581**	**954**	**0**	**4,426**	**17,351**	**239,391**	**256,742**

Comprehensive Income and Expenditure Statement

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

2009/10				2010/11		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
7,951	(7,072)	879	Central services to the public	8,459	(7,344)	1,115
17,791	(6,638)	11,153	Cultural, environmental, regulatory and planning services	18,580	(5,173)	13,407
4,215	(4,993)	(778)	Highways and transport services	4,772	(4,760)	12
20,064	(21,473)	(1,409)	Local Authority housing (HRA)*	95,926	(20,950)	74,976
28,523	(26,536)	1,987	Other housing services	31,603	(28,582)	3,021
1,370	(8)	1,362	Corporate & Democratic Core	1,374	(25)	1,349
531	(6)	525	Non distributed costs**	147	(9,869)	(9,722)
80,445	**(66,726)**	**13,719**	**Cost of Services**	**160,861**	**(76,703)**	**84,158**
		-	Exceptional items (Note 5,6)			(577)
		1,259	Other operating expenditure (Note 9)			1,502
		1,710	Financing and investment income and expenditure (Note 10)			3,728
		(21,313)	Taxation and non-specific grant income (Note 11)			(18,425)
		(4,625)	**(Surplus) or Deficit on Provision of Services**			**70,386**
		(29,798)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			17,184
		25,412	Actuarial (gains)/losses on pension assets/liabilities			(9,672)
		(4,386)	**Other Comprehensive Income and Expenditure**			**7,512**
		(9,011)	**Total Comprehensive Income and Expenditure**			**77,898**

*Included in the Local Authority Housing (HRA) line above is a revaluation loss of £74.7m this is due to a change in the adjustment factor used. More details of this are available in note 5 – Material Items of Income and Expense.

** Included in the Non-distributed costs line above is a past service gain of (£9.89m) this reflects the change in public sector pension increases being linked to the Consumer Pice Index (CPI) rather than the Retail Price Index (RPI).

Balance Sheet

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

The figures as at 1 April 2009 have been restated to show the opening effect of the transition to IFRS.

1 April 2009	31 March 2010			Note	31 March 2011	
£'000	£'000	£'000			£'000	£'000
279,491		300,255	Council Dwellings	12		205,340
67,874		76,561	Other Land and Buildings	12		77,715
1,125		3,035	Vehicles, Plant and Equipment	12		3,300
10,419		10,514	Infrastructure Assets	12		10,841
3,461		4,155	Community Assets	12		4,183
1,894		1,339	Assets under construction	12		1,558
2,874		3,329	Investment Property	13		3,029
1,183		923	Intangible Assets	14		674
3		3	Long Term Investments	15/16		3
157		176	Long Term Debtors	15		104
368,481		**400,290**	**Long Term Assets**			**306,747**
3,000	5,000		Short term Investments	15	2,000	
245	186		Assets Held for Sale	20	1,231	
193	169		Inventories	17	133	
6,378	11,177		Short Term Debtors	18	7,677	
3,144	4,407		Cash & Cash Equivalents	19	11,264	
12,960		**20,939**	**Current Assets**			**22,305**
(6,203)	(6,985)		Short Term Borrowing	15	(6,009)	
(7,285)	(8,919)		Short Term Creditors	21	(10,920)	
(13,488)		**(15,904)**	**Current Liabilities**			**(16,929)**
		405,325				**312,123**
0	0		Provisions		0	
(9,000)	(9,404)		Long Term Borrowing	15	(9,964)	
(33,497)	(61,454)		Other Long Term Liabilities	38	(45,417)	
0	0		Capital Grants Receipt in Advance		0	
(42,497)		**(70,858)**	**Long Term Liabilities**			**(55,381)**
325,456		**334,467**	**Net Assets**			**256,742**
14,240		19,162	Usable Reserves	22		17,351
311,216		315,305	Unusable Reserves	23		239,391
325,456		**334,467**	**Total Reserves**			**256,742**

Cashflow Statement

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

2009/10 £000		2010/11 £000
4,625	Net surplus or (deficit) on the provision of services	(70,386)
5,701	Adjustments to net surplus or deficit on the provision of services for non-cash movements	82,966
(563)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(1,012)
9,763	Net cash flows from Operating Activities (Note 24)	11,568
(9,712)	Investing Activities (Note 25)	(4,299)
1,212	Financing Activities (Note 26)	(412)
1,263	Net increase or decrease in cash and cash equivalents	6,857
3,144	Cash and cash equivalents at the beginning of the reporting period	4,407
4,407	**Cash and cash equivalents at the end of the reporting period (Note 19)**	**11,264**

Notes to the Core Financial Statements

(Please be aware that there may be minor rounding differences in some of these notes.)

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 ('the Code') and the Best Value Accounting Code of Practice 2010/11 ('BVACOP'), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

ii. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the 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 one month or less from the date of the balance sheet and that are readily convertible to known amounts of cash with insignificant risk of change in value. As the majority of the Council's own bills are due in one month or less, the council treats cash on deposit for more than one month (and so not immediately available to pay bills) as a short-term investment rather than a cash equivalent available alongside cash itself.

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

iv. Exceptional Items

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

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

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

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

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

vi. Charges to Revenue for Non-Current Assets

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

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

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

vii. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave, and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which the employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. flexi-time) earned by the employee but not taken before the year end which the employees can carry forward into the next financial year. The accrual is made at the wages and salary rates applicable at the end of the year, which is considered to represent a fair value for the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of either the Council's decision to end an employee's employment before the normal retirement date or an employee accepting voluntary redundancy. (Voluntary early retirement under scheme rules is not a termination benefit since the benefit is a right of all scheme members.) Termination benefits are recognised as a liability or an expense only when the Council is demonstrably committed through a detailed formal plan to either terminating the employment of an employee or group of employees before the normal retirement date or providing termination benefits as a result of an offer to encourage voluntary redundancy.

Termination costs are shown immediately in the Comprehensive Income and Expenditure Statement Surplus or Deficit on Provision of Services; costs from service-specific redundancy decisions are charged to the relevant service, while costs resulting from a Council-wide process, and any past service pension costs, are charged to the non-distributed costs line. If termination benefits fall due more than 12 months after the balance sheet date, they are discounted using the discount rate determined by reference to market yields at the balance sheet date on high quality corporate bonds. In the case of an offer made to encourage voluntary redundancy, the cost of termination benefits would be based on the number of employees expected to accept the offer. Where there is uncertainty about the number of employees who will accept any offer of termination benefits, the estimated cost will be shown as a contingent liability.

Where termination benefits involve pension enhancements (usually in the form of 'added years') the enhancements will be treated as pension costs for the purposes of the statutory transfer between the Pension Reserve and the General Fund. The General Fund will be charged with the amount payable by the Council to the pension fund or pensioner in the year and the difference between the pension costs calculated by the Code and the contributions due under the pensions scheme regulations will be charged or credited to the Pensions reserve and shown in the Movement in Reserves Statement

Post Employment Benefits

Employees of the Council are members of the Local Government Pensions Scheme, administered by Somerset County Council (SCC). The Local Government Scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme

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

- The liabilities of the SCC pension scheme 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 future earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the yeild on the iBoxx AA rated over 15 year Corporate Bond Index as at 31 March 2011 which has been chosen to meet the requirements of IAS19)..

- The assets of the SCC 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 pensions liability is analysed into seven components:

  - current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Account 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 line in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Surplus or Deficit on the Provision of Services line in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
  - contributions paid to the SCC 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 and Housing Revenue Account balance to be charged with the amount payable by the council to the pension fund 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 any amounts payable to the fund but unpaid at the year-end. The negative balance on the Pensions Reserve thereby measures the beneficial impact to the General Fund and Housing Revenue Account of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

viii. Events After The Balance Sheet Date

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

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events

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

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

ix. Financial Instruments

Financial Liabilities

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

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

As a local authority, the council can borrow from The Public Works Loan Board (PWLB), a statutory body operating within the United Kingdom Debt Management Office, which is itself an Executive Agency of HM Treasury. PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments. The Code allows two options for calculating the fair value of PWLB loans; so, to provide the most helpful information to readers of these accounts and for comparability with Somerset County Council, Taunton Deane has chosen to use the “repayment rate” option which gives the actual amount an authority would have to pay to avoid the loss or realise the notional gain.

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

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

Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

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

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

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

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

Available-for-Sale Assets

The Council treats investments in Money Market Funds as Avaliable for Sale financial assets.

Instruments Entered Into Before 1 April 2006

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

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.

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

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

Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ring-fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Business Improvement Districts

A Business Improvement District (BID) scheme applies across the whole of the district. The scheme is funded by a BID levy paid by non-domestic ratepayers. Acting as an agent of the Taunton Town Centre Company (the BID company), the Council is the billing authority and collects the BID Company's behalf. No BID income and expenditure is included in the Comprehensive Income and Expenditure Statement, and any cash balance collected by the Council but not yet paid to the BID Company at the year-end is carried in the Balance Sheet as a creditor.

xi. Intangible Fixed Assets

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

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

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

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any proceeds greater than £10,000) the Capital Receipts Reserve.

xii. Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities ventures and require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

xiii. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO costing formula. (FIFO is First In First Out, one of several commonly-used methods of valuing inventories and chosen for simplicity.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year. The value of works is subject to an interim valuation at the year-end and is recognised at cost plus any reasonably attributable profit.

xiv. Investment Property

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains 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 any proceeds greater than £10,000) the Capital Receipts Reserve.

xv. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

xvi. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risk 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 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 or 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 the statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance or Housing Revenue Account 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 fro the use of the leased property, plant or equipment. Charges are made on a straight-line basis over the term of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or

Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A credit/receipt for the acquisition of the interest in the property, plant or equipment – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

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. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xvii. Overheads and Support Services

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

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

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

xviii. Property, Plant and Equipment

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

Recognition

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. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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 an asset given up by the Council.

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

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

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

Where non-property assets 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.

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the life of the property as estimated by the valuer
- Vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- Infrastructure – straight-line allocation over 50 years (or the life of the asset if less).

Where an item of Property Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Componentisation

Where an item of Property, Plant and Equipment with a de minimus value of £500,000 or more has two or more major components, each with a cost that is significant in relation to the total cost of the asset and with different working lives, then the components of the asset are depreciated separately in line with the policies set out above. The purpose is to assist the Council in planning the costs of managing and replacing its asset-base – for example, if expensive specialist machinery inside a building needed to be replaced several times within the life of the building itself. It is considered that accurately componentising assets with a value of less than £500,000 would take up significant administration resources without adding any appreciable benefit for users of these accounts. A “significant cost” for components is taken to be 20% or more of the historical cost (or carrying value if historical cost is not available) of the asset in total. Where groups of similar assets have identifiable typical components (for example, council houses are of different types but all have kitchens and bathrooms) then componentisation is considered collectively as well as against individual asset values. In all cases, the aim is to meet appropriate accounting standards and provide meaningful information for users of these accounts at an acceptable cost in producing the data. This is a new requirement of the Code for 2010/11 onwards.

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, and the asset is marketed and made available for sale in its present condition, 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 recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

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

Amounts received for the disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council’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 non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xix. Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property plant and equipment needed to provide the services passes to the PFI contractor. The Council is not party to a PFI contract.

xx. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council 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. If the date of likely settlement is so far in the future to affect the present value of the obligation, the provision will be shown in the statements at its discounted present value using a discount rate judged appropriate at the time. The discounted value recognises that payments made or received at some time in the future are not worth the same as payments made or received immediately.

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

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

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 disclosed in a note to the accounts.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts. The Council will not normally disclose contingent liabilities that are individually, or a group of a similar type, below a value of £50,000 on the grounds of materiality.

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 disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

The Council will not normally disclose contingent assets that are individually, or a group of a similar type, below a value of £50,000 on the grounds of materiality.

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 or Housing Revenue Account 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 or Housing Revenue Account Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Separate reserves are maintained for capital and revenue spending; in line with legislation and accounting practice, capital reserves cannot be used to support general revenue spending although revenue reserves may be used to support capital spending.

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

xxii. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset is charged as expenditure to the relevant service 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 then reverses out the amounts charged in the Statement of Movement on so there is no impact on the level of council tax.

xxiii. VAT

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

xxiv. The Collection Fund

The Code requires the inclusion of a Collection Fund Statement within the Statement of Accounts of every council tax billing authority; this Council is such an authority. The Statement reflects the statutory requirement contained in section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) for billing authorities to establish and maintain a separate fund for the collection and distribution of amounts due in respect of council tax and National Non-Domestic Rates (NNDR).

There is no requirement for a separate Collection Fund Balance Sheet. Instead Collection Fund balances are distributed across the Balance Sheets of the billing authority, the Government and precepting authorities.

xxv. Accounting for Council Tax

Council tax income is accounted for within the Collection Fund Statement on an accruals basis based on amount due from taxpayers for the year, and adjustments for earlier years not already taken into account. The figure excludes amounts receivable in the form of penalties, which are recognised in the Surplus or Deficit on the Provision of Services in the General Fund.

Since the collection of council tax income is in substance an agency arrangement, the cash collected by the Council from council tax debtors belongs proportionately to the Council and the major preceptors. There will be therefore a debtor/creditor position between the Council and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will not be its share of the cash collected from council taxpayers.

Precepts for the major precepting authorities and the Council's demand on the fund are paid out of the Collection Fund and credited to the Taxation and Non-Specific Grant Income line in the Comprehensive Income and Expenditure Statements of the precepting authorities and the Council. However, the transactions presented in the Collection Fund Statement are limited to the cash flows permitted by statute for the financial year, whereas each authority and the Council recognises income on a full accruals basis i.e. sharing out in full the surplus or deficit on the Collection Fund at the end of the year, even though it will be distributed to or recovered from the precepting authorities including the Council in a subsequent financial year. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the Collection Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The year-end surplus or deficit on the Collection Fund is distributed between the Council and major precepting authorities on the basis of estimates made on 15 January of the year-end balance. The Council's share is credited (surplus) or debited (deficit) on the same line as the demand on the fund, and is taken into account in arriving at the difference that is adjusted to the Collection Fund Adjustment Account.

xxvi. Accounting for National Non-Domestic Rates

The collection of National Non-Domestic Rates (NNDR) is carried out by the Council as an agent activity on behalf of the Government. Income receivable is accounted for on an accruals basis. This income due from NNDR taxpayers less any provision for bad debts (and net of the cost of collection allowance) belongs to the Government. Any amount due but not yet paid to the Government at the Balance Sheet date is included in the Balance Sheet as a creditor. Similarly, if the cash paid to the Government exceeds the amount due from NNDR taxpayers (net of the cost of collection allowance), the excess is included in the Balance Sheet as a debtor.

The costs of collection represents the allowance granted to the Council as a billing authority per the applicable regulations, not the actual costs of collection incurred. Any difference is recognised within the General Fund in the Surplus or Deficit on the Provision of Services.

NNDR debtor and creditor balances with NNDR taxpayers and the impairment allowance for doubtful debts are not assets and liabilities of the Council and are not recognised in the Council's Balance Sheet.

2. Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

The introduction of International Financial Reporting Standards (IFRS) to the public sector has required many changes to information reported and therefore data to be collected. For the year 2011/12 local authorities will be required to follow a new accounting standard (FRS30) for "heritage assets" which are "assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations". Detailed national guidance has not yet become available but is expected in guidance notes to be issued by CIPFA later in 2011/12. Draft guidance has been published that highlights some of the complications in, for example, finding a fair value for items which may be of great cultural value or community interest but with commercial values perhaps ranging from nil to significant amounts. The Council has already begun to consider how to best prepare for the new requirement.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, as in every year, the Council has had to make judgements about complex transactions or those involving uncertainty about future events. For 2010/11 the Council has also had to make judgements about applying significant changes in external accounting policies, notably the movement to International Financial Reporting Standards (IFRS) for the public sector which has made many changes to accounting treatments of items like long-term and short-term assets, and the Code of Practice becoming mandatory rather than guidance which Councils can move away from if their particular circumstances had meant that a different accounting treatment provided better information for readers and decision-makers.

The main critical judgements made in this Statement of Accounts are:

- After careful review, the Council was able to apply the now-mandatory Code of Practice in full since it had previously complied in full with the guidance.

- The opening balances as at 1 April 2010 have been restated as required by IFRS. The main changes are in the Balance Sheet, notably in showing “Property, plant and equipment” in a different format and requiring a thorough review of financial instruments and leases with significantly different treatment of “operating” and “finance” leases as described in Note 35. Considerable accounting judgement has been required to ensure that the changes are both correctly applied and made clear to a general reader, and some of the additional information needed to identify the effect of changes in accounting treatment has not previously been part of data collected during routine management of the Council’s assets. The Council has therefore taken this opportunity to review its future information needs, with the aim of strengthening the underlying data routinely available for future Statements.

- The Council is a key partner in Project Firepool, one of the largest mixed use regeneration schemes in the south-west and one of the first key areas for “Project Taunton”, a town-wide regeneration initiative which recognises the opportunity for the Council to be a lead partner providing further contributions to the continued growth and prosperity of Taunton. The Council has capitalised the costs of the project so far, which are mainly to do with the necessary planning and preparation for such a high-profile asset creation. At the time of preparing this Statement of Accounts the Council has no direct contractual involvement in construction, but has set up working links with its key partners to help provide appropriate information in the future.

- There is a high degree of uncertainty about future levels of funding for local government. The Council has therefore put significant senior management and transactional resources into identifying opportunities for both reducing costs and improving performance. From an accounting perspective, this has involved working with its partner Southwest One in further developing its Management Information System introduced in 2009/10 to focus and strengthen the quality, consistency and timeliness of internal budget-management information as described in Note 27. While it is possible that funding uncertainty might impair the Council’s assets, for example by requiring the closure of specialist facilities currently valued in the balance-sheet as operational assets, at this stage the Council has determined that this uncertainty is not yet sufficient to indicate any impairment may become necessary.

- The Council’s leisure facilities are run on its behalf by Tone Leisure (Taunton Deane) Limited, a charitable trust (number 1110756) and not-for-profit social enterprise working with South Hams District Council through its own group company as well as Taunton Deane. The council has the right to appoint two Councillors to the board of Tone Leisure Ltd, but does not have overall control of the trust and so accounts for the arrangement as an Associate. This means that the Council’s group accounts include those of Tone Leisure. Since Tone Leisure as a charity does not yet have to report its accounts in IFRS format, its accounting bases are not the same as the Council’s, but in this instance the differences are minimal and, in the opinion of the Council, do not affect the accuracy or fairness of the group accounts.

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

The Statement of Accounts necessarily 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 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows overleaf:

Item	Significant Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment (PPE)	PPE assets are depreciated over useful lives that are chosen based on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. If the working lives change significantly as a result of the Council's review of its services then those useful lives may lengthen or shorten.	Depreciation is calculated to spread the cost of an asset over its estimated working life. If the working life is reduced, depreciation goes up and carrying-value goes down; if the working life is extended, depreciation goes down and so carrying value goes up. For example, with vehicles valued at £709k and an average working life of around five years, extending the life by 1 year would reduce annual depreciation by £30k.
	The carrying values of assets such as council houses depend very much on outside factors; for example, the significant revaluation in 2010/11 was due to a change in the discount factor applied nationally to social housing. This factor depends on market conditions such as the value of similar properties in an open market and rent yields for the private sector. For example, in 2005 when the present system was introduced, the discount factor for the SW was 44%; in 2010/11 it was 31%.	With council housing have a balance-sheet cost of around £300m, each 1% change in the social housing discount factor moves the valuation up or down by £30m while having no effect on the actual housing stock itself.
Pensions Liability	Estimates 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 assets. The Council works in partnership with other local authorities to engage a firm of consulting actuaries to provide expert advice about the assumptions to be applied, and reviews those assumptions in discussion with its partner councils. Part of the annual accounts process is to review previous assumptions and test them against what actually happened, to provide further data for future assumptions.	The effects on the net pension liability of many changes in individual assumptions can be measured. For example, if the discount rate (the expected yield on the corporate bond index) were to change by plus or minus 0.1% from its assumed 5.5%, then the projected service cost would be between £2.413m to £2.617m. A similar change of 1 year in the mortality age range assumption means the projected service cost could be from £2.392m to £2.640m.

Item	Significant Uncertainties	Effect if Actual Results Differ from Assumptions
	With so much national debate and change in pension provisions the assumptions are both difficult to predict from historical data and likely to change significantly in the short to medium term. The pensions liability and its underlying data is therefore very much a carefully reasoned estimate of the most likely combination of factors, but by its very nature is significantly uncertain.	However, the assumptions interact in complex ways; for example, pension membership may fall, the proportion of commutable pension exchanged by members for cash on retirement may go up while members live longer and equity yields improve.
Arrears	At 31 March 2011 the Council had a balance of council-tax debtors of £2.2m, down from the £2.4m the previous year and to be expected when collecting council tax of around £50m each year. The Council has made an impairment provision of £0.87m (3.9%) to cover debts that are not collectible for a variety of reasons; however, in the current economic climate the level of unpaid debts could change significantly at short notice.	The Council carried out a major review of impairment provisions in 2009/10 and so is confident that the current levels present a true and fair estimate of likely unpaid debts. However, the figures are large; with council tax income of over £50m this year from more than 40,000 households, a 0.1% change in the collection rate changes the amount collected by around £50k in a full year. The Council's collection rate for 2010/11 was over 99%.

5. Material Items of Income and Expense

The way the Council values its Council Dwellings has changed in 2010/11 as per the Stock Valuation Guidance produced by the Department for Communities and Local Government. The adjustment factor applied to vacant possession values of dwellings to arrive at the Existing Use Value – Social Housing (EUV-SH) has been reduced from 44% to 31%. This has resulted in a revaluation loss charge to the Local Authority Housing (HRA) line in the Comprehensive Income and Expenditure Statement of £74.7m. This then gets reversed out through the Movement in Reserves Statement so it does not affect Rent Payers.

There have also been revaluation decreases of £1.2m charged to the Cultural, environmental, regulatory and planning services line in the Comprehensive Income and Expenditure Statement in relation to properties held for Project Taunton. This is due to the demolition of several buildings to enable the redevelopment of the area.

Several Council Dwellings have been disposed of in the year to council tenants or for affordable housing; this has resulted in a loss charged to the Comprehensive Income and Expenditure Statement of £471k.

Exceptional Items

The Council received a one-off windfall of £577,000 related to a refund of VAT on provision of leisure services – see Note 6 below.

6. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the S151 Officer on 30 June 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material aspects to reflect the impact of this information.

The financial statements and notes have been adjusted for the following event after the balance sheet date of 31 March 2011:

- There was a national claim that the UK had interpreted the European VAT regulations incorrectly over many years for tuition fees at leisure centres. This claim was upheld and the Council received confirmation in April/May 2011 of the amount to be refunded by HM Revenues and Customs. The amount receivable is £721,000 of VAT plus interest, less professional fees of £144,000, giving a net windfall income of £577,000. This amount has also been disclosed as an exceptional item in the Consolidated Income and Expenditure Statement.

7. Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the 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.

2010/11	Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation of non-current assets	(1,407)	(3,785)	0	0	0	5,192
Charges for impairment of non-current assets	(316)	7	0	0	0	309
Excess of depreciation charged to HRA services over the MRA	0	(466)	0	0	0	466
Revaluation losses on Property Plant and Equipment	(1,552)	(74,675)	0	0	0	76,227
Movements in the market value of Investment Properties	0	0	0	0	0	0
Amortisation of intangible assets	(208)	(64)	0	0	0	272
Capital grants and contributions applied	3,865	0	0	0	0	(3,865)
Revenue expenditure funded from capital under statute	(2,494)	(325)	0	0	0	2,819
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal of the Comprehensive Income and Expenditure Statement	(226)	(1,269)	0	0	0	1,495
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital	345		0	0	0	(345)

2010/11	Usable Reserves: General Fund Balance £'000	Usable Reserves: Housing Revenue Account £'000	Usable Reserves: Capital Receipts Reserve £'000	Usable Reserves: Major Repairs Reserve £'000	Usable Reserves: Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
investment						
Capital expenditure charged against the General Fund and HRA balances	599	2,205	0	0	0	(2,804)
(continued)						
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	862	(862)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and Expenditure Account	214	814	(1,028)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	222	0	0	(222)
Contribution from the Capital Receipts Reserve towards the administrative costs of non-current asset disposals	0	(16)	16	0	0	0
Contribution from the Capital Receipt reserve to finance the payments to the central government capital receipts pool	(596)	0	596	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	0	0
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	0	3,785	0	(3,785)	0	0
Use of the Major Repairs Reserve to finance new Capital Expenditure	0	0	0	3,785	0	(3,785)
Adjustments primarily involving the Financial Instruments Adjustment Account:						

2010/11	Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Amounts 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	0	39	0	0	0	(39)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	5,044	(678)	0	0	0	(4,366)
Employers pension contributions and direct payments to pensioners payable in the year	1,869	130	0	0	0	(1,999)
Adjustments primarily 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	176	0	0	0	0	(176)
Adjustments primarily involving the Accumulated Absences 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	(68)	(17)	0	0	0	85
Total Adjustments	**5,245**	**(74,315)**	**(194)**	**0**	**862**	**68,402**

2009/10 Comparative Figures	Usable Reserves: General Fund Balance £'000	Usable Reserves: Housing Revenue Account £'000	Usable Reserves: Capital Receipts Reserve £'000	Usable Reserves: Major Repairs Reserve £'000	Usable Reserves: Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation of non-current assets	(1,380)	(3,704)	0	0	0	5,084
Charges for impairment of non-current assets	(121)	(203)	0	0	0	324
Excess of depreciation charged to HRA services over the MRA	0	(351)	0	0	0	351
Revaluation losses on Property Plant and Equipment	0	0	0	0	0	0
Movements in the market value of Investment Properties	456	0	0	0	0	(456)
Amortisation of intangible assets	(297)	(64)	0	0	0	361
Capital grants and contributions applied	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	(166)	(276)	0	0	0	442
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal of the Comprehensive Income and Expenditure Statement	(562)	(410)	0	0	0	972
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	364	0	0	0	0	(364)
Capital expenditure charged against the General Fund and HRA balances	493	1,286	0	0	0	(1,779)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	3,531	0	0	0	0	(3,531)
Application of grants to capital financing transferred to the Capital Adjustment Account	3,548	0	0	0	(3,548)	0
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and Expenditure Account	587	0	(587)	0	0	0

2009/10 Comparative Figures	**Usable Reserves** General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	0	0
Contribution from the Capital Receipts Reserve towards the administrative costs of non-current asset disposals	(25)	0	25	0	0	0
Contribution from the Capital Receipt reserve to finance the payments to the central government capital receipts pool	(416)	0	416	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	0	0
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	0	3,704	0	(3,704)	0	0
Use of the Major Repairs Reserve to finance new Capital Expenditure	0	0	0	3,704		(3,704)
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amounts 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	0	39	0	0	0	(39)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,449)	(454)	0	0	0	4,904
Employers pension contributions and direct payments to pensioners payable in the year	2,359	0	0	0	0	(2,359)
Adjustments primarily involving the Collection Fund Adjustment Account:						

2009/10 Comparative Figures	**Usable Reserves**					
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
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)	0	0	0	0	5
(continued)						
Adjustments primarily involving the Accumulated Absences 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	(87)	0	0	0	0	87
Total Adjustments	**3,830**	**(433)**	**(146)**	**0**	**(3,548)**	**298**

8. Transfers to/From Earmarked Reserves

The table below shows capital and revenue balances which are set aside for specific purposes. Details of movements on the major reserves are shown below.

	Balance at 1 April 2009 £'000	Transfers In 2009/10 £'000	Transfers Out 2009/10 £'000	**Balance at 31 March 2010 £'000**	Transfers In 2010/11 £'000	Transfers Out 2010/11 £'000	**Balance at 31 March 2011 £'000**
General Fund							
Capital financing reserve	1,045	200	(407)	838	15	(91)	762
Housing enabling	783	0	0	783	0	(184)	599
Self insurance fund	750	0	0	750	0	0	750
Asset management – Leisure	581	43	0	624	30	(22)	632
DLO trading account	507	170	(108)	569	0	0	569
LABGI	496	0	(73)	423	0	0	423
Planning delivery grant	285	508	0	793	35	(354)	474
Local plan enquiry	262	34	0	296	32	(17)	311
Growth point fund	239	0	(59)	180	0	0	180

	Balance at 1 April 2009 £'000	Transfers In 2009/10 £'000	Transfers Out 2009/10 £'000	**Balance at 31 March 2010 £'000**	Transfers In 2010/11 £'000	Transfers Out 2010/11 £'000	**Balance at 31 March 2011 £'000**
Home Improvement Agency	192	0	0	192	0	0	192
Core Council Review	63	411	(169)	305	4	(86)	223
DLO transformation	0	142	0	142	0	(33)	109
Eco Towns Projects	0	0	0	0	183	0	183
Asset management - General	0	95	0	95	49	0	144
Performance & Client Consultancy	0	0	0	0	144	0	144
Other earmarked reserves	1,251	255	(207)	1,299	393	(529)	1,163
Total General Fund	**6,454**	**1,858**	**(1,023)**	**7,289**	**885**	**(1,316)**	**6,858**
Housing Revenue Account (HRA)							
Capital Financing Reserve	765	1,669	(1,286)	1,148	0	(1,069)	79
DLO Transformation	0	0	0	0	113	0	113
Heating Reserve	260	130	0	390	0	0	390
Total HRA	**1,025**	**1,799**	**(1,286)**	**1,538**	**113**	**(1,069)**	**582**

Included in the reserves above is the Council's Self Insurance Fund. This is a sum of £750,000 which is set aside for self insurance in respect of property risks. The Stop Loss insurance policy for Council Dwellings has excesses of £50,000 per property and £250,000 per year.

9. Other Operating Expenditure

2009/10 £'000		**2010/11 £'000**
433	Parish Council precepts	422
416	Payments to the Government Housing Capital Receipts Pool	596
410	Gains/(losses) on the disposal of non-current assets	484
1,259	**Total**	**1,502**

10. Financing and Investment Income and Expenditure

2009/10 £'000		**2010/11 £'000**
(268)	Trading account (surpluses) and deficits	523
658	Interest payable and similar charges	643
2,379	Pensions interest cost and expected return on pensions assets	2,317
(603)	Interest receivable and similar income	(115)

(456)	Income and expenditure in relation to investment properties and changes in their Fair Value	360
1,710	**Total**	**3,728**

11. Taxation and Non Specific Grant Incomes

2009/10 £'000		2010/11 £'000
5,675	Council tax income	5,799
6,935	National non-domestic rates (NNDR)	7,615
1,624	Non-ringfenced government grants	1,146
7,079	Capital grants and contributions	3,865
21,313	**Total**	**18,425**

12. Property, Plant and Equipment

Movements in 2010/11	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Cost or Valuation							
At 1 April 2010	300,342	77,997	4,434	11,161	4,232	1,339	**399,505**
Additions	5,641	1,098	758	483	28	556	**8,564**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(24,559)	3,237	0	0	0	0	**(21,322)**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(74,675)	(914)	0	0	0	(337)	**(75,926)**
Derecognition - disposals	(1,082)	(95)	0	0	0	0	**(1,177)**
Assets reclassified (to)/from Held for Sale	(239)	(993)	0	0	0	0	**(1,232)**
At 31 March 2011	**205,428**	**80,330**	**5,192**	**11,644**	**4,260**	**1,558**	**308,412**
Accumulated Depreciation and Impairments							
At 1 April 2010	(88)	(1,435)	(1,399)	(648)	(77)	0	**(3,647)**
Depreciation Charge	(3,785)	(1,269)	(493)	(155)	0	0	**(5,702)**
Depreciation written out to the Revaluation Reserve	3,785	354	0	0	0	0	**4,139**
Depreciation written out to Surplus Deficit on Provision of Services	0	44	0	0	0	0	**44**

Movements in 2010/11	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	(309)	0	0	0	0	**(309)**
At 31 March 2011	**(88)**	**(2,615)**	**(1,892)**	**(803)**	**(77)**	**0**	**(5,475)**
Net Book Value As at 31 March 2011	**205,340**	**77,715**	**3,300**	**10,841**	**4,183**	**1,558**	**302,937**

Comparative Movements in 2009/10	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Cost or Valuation							
At 1 April 2009	279,491	69,575	2,070	10,917	3,538	1,894	**367,484**
Additions	4,695	1,027	470	245	694	1,339	**8,470**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	17,070	7,395	0	0	0	0	**24,465**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	**0**
Derecognition - disposals	(727)	0	0	0	0	0	**(727)**
Derecognition - other	0	0	1,894	0	0	(1,894)	**0**
Assets reclassified (to)/from Held for Sale	(187)	0	0	0	0	0	**(187)**
At 31 March 2010	**300,342**	**77,997**	**4,434**	**11,161**	**4,232**	**1,339**	**399,505**
Accumulated Depreciation and Impairments							
At 1 April 2009	0	(1,701)	(944)	(498)	(77)	0	**(3,220)**
Depreciation Charge	(3,704)	(1,127)	(455)	(150)	0	0	**(5,436)**
Depreciation written out to the Revaluation Reserve	3,704	1,628	0	0	0	0	**5,332**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(87)	(237)	0	0	0	0	**(324)**
At 31 March 2010	**(87)**	**(1,437)**	**(1,399)**	**(648)**	**(77)**	**0**	**(3,648)**
Net Book Value As at 31 March 2010	**300,255**	**76,560**	**3,035**	**10,513**	**4,155**	**1,339**	**395,857**

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings – The Major Repairs Allowance is used as a reasonable estimate for depreciation
- Other Land and Buildings – Straight Line allocation over a useful life of between 40-60 years
- Vehicles Plant and Equipment – Straight line basis over a useful life of between 4-10 years
- Infrastructure – Depreciation on a straight line basis of between 5-50 years.

Capital Commitments

The major commitments on the Council's Capital Programme in 2011/12 are:

Housing contracts to maintain the decent homes standard. The contractual commitment at 31 March 2011 amounted to: £3.6m.

At 31 March 2011 the contractual commitments for Project Taunton were approximately: £4.5m.

The Council has also entered into a contract for just over £1m in relation to the Mercury Abatement works at the Crematorium.

Similar commitments at 31 March 2010 were £3.55m for housing contracts and £1.45m for the General Fund Capital Programme.

Revaluations

The Council carries out a rolling programme that ensures that all Property Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations are carried out by the Council's Asset Holdings Manager Mr A. Priest FRICS. All valuations of land and buildings were carried out in accordance with the standards set out by the Royal Institution of Chartered Surveyors (RICS). Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest prices adjusted for the condition of the asset.

	Council Dwellings £'000	**Other Land and Buildings £'000**	**Vehicles Plant and Equipment £'000**	**Total £'000**
Carried at historical cost	0	1,287	5,192	6,479
Valued at fair value as at:				
1 April 2007	0	4,270	0	4,270
1 April 2008	0	5,789	0	5,789
1 April 2009	0	34,205	0	34,205
1 April 2010	0	15,417	0	15,417
31 March 2011	205,428	19,362	0	224,790
Total Cost or Valuation	**205,428**	**80,330**	**5,192**	**290,950**

13. Investment Properties

	2010/11 £'000	2009/10 £'000
Balance at start of the year	**3,329**	**2,873**
Additions:		
Purchases	0	0
Subsequent Expenditure	0	0
Disposals	0	0
Net gains/losses from fair value adjustments	0	456
Transfers:		
To/from Property Plant and Equipment	0	0
Other Changes	(300)	0
Balance at end of the year	**3,029**	**3,329**

14. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property Plant and Equipment. The intangible assets include purchased licences only. All software is given a finite useful life based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council are:

Useful Life	Internally Generated Assets	Other Assets
3 years	None	Revenues & Benefits Software, Development Management System
10 years	None	SAP, Land Charges and Building Control system, Housing management system, Choice Based letting system

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £272,264.10 was charged to the relevant service or if the software is used across the whole of the Council it is charged to ICT and then apportioned across all services.

The movement on intangible asset balances during the year are as follows:

	Internally Generated Assets £000	Other Assets £000	2010/11 Total £000	Internally Generated Assets £000	Other Assets £000	2009/10 Total £000
Balance at the start of the year:						
Gross carrying amounts	0	2,194	2,194	0	2,093	2,093
Accumulated amortisation	0	(1,271)	(1,271)	0	(910)	(910)
Net carrying amount at the start of the year	**0**	**923**	**923**	**0**	**1,183**	**1,183**
Additions: Purchases	0	23	23	0	101	101
Amortisation for the period	0	(272)	(272)	0	(361)	(361)
Net carrying amount at end of year	**0**	**674**	**674**	**0**	**923**	**923**

Comprising:						
Gross carrying amounts	0	2,217	2,217	0	2,194	2,194
Accumulated amortisation	0	(1,543)	(1,543)	0	(1,271)	(1,271)
	0	**674**	**674**	**0**	**923**	**923**

There are four items of capitalised software that are individually material to the financial statements:

Capitalised software	**Carrying Amount**		**Remaining Amortisation Period**
	31 March 2011 £'000	**31 March 2010 £'000**	
SAP System	80	91	8 years
IDOX Land Charges and Building Control Software	90	100	9 years
Choice Based Lettings System	111	125	8 years
Housing Management System	327	354	7 years

15. Financial Instruments

The definition of a financial instrument is: 'Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity'.

Financial Liabilities
A Financial Liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to the Council.
The Council's loan portfolio at year end consisted of PWLB debt and Market debt. Under the 2010/11 Code of Practice these forms of borrowing are measured at amortised cost. This form of measurement does not change the amount of cash paid under the terms of the loan but can impact on the charge made to the Comprehensive Income and Expenditure Statement.

Financial Assets
A Financial Asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to received cash or another financial asset.

The three classifications for financial assets under the 2010/11 Code of Practice are:
- Loans and Receivables
- Available for Sale
- Fair Value through Profit and Loss

The Council's portfolio of investments consists of: fixed term deposits, money market funds and call accounts. Term deposits, call accounts and debtors are classified as 'loans and receivables.' Money Market Funds are classified as Available for Sale.

Balances in Money Market Funds, call accounts and fixed term deposits due to mature in less than one month are shown under cash and cash equivalents on the Balance Sheet as they represent highly liquid investments that are readily convertible into known amounts of cash, with an insignificant risk of changes in value. Fixed term deposits due to mature in more than one month are included in investments.

The Council does not have any investments required to be measured at Fair Value through Profit and Loss.

Transaction Costs

Measurement at amortised cost permits transactions costs related to financial instruments to be attached to the loan or investment and charged to the Comprehensive Income and Expenditure Statement over the life of the instrument. Where these are considered to be immaterial they can be charged in full to the Comprehensive Income and Expenditure Account. The Council has taken the latter approach in 2010/11, shown in the table overleaf.

	Long-term		Current	
	31 March 2011 £'000	31 March 2010 £'000	31 March 2011 £'000	31 March 2010 £'000
Investments				
Loans and receivables	3	3	8,800	6,600
Available for Sale Financial Assets	0	0	3,500	2,000
Total Investments	**3**	**3**	**12,300**	**8,600**
Debtors				
Loans and receivables	104	176	53	56
Total Debtors	**104**	**176**	**53**	**56**
Total Financial Assets	**107**	**179**	**12,353**	**8,656**

	Long-term		Current	
	31 March 2011 £'000	31 March 2010 £'000	31 March 2011 £'000	31 March 2010 £'000
Borrowings				
Financial Liabilities at amortised cost	9,964	9,404	6,009	6,985
Total Financial Liabilities	**9,964**	**9,404**	**6,009**	**6,985**

Reclassifications

In 2009/10 the Council reclassified £5m of investments to cash and cash equivalents as part of the transition to International Financial Reporting Standards. This is because the investments were due to mature in one month or less and were readily convertible into known amounts of cash.

Income, Expense, Gains and Losses

	2010/11					2009/10				
	Financial Liabilities measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Financial Assets: Available for sale £'000	Assets and Liabilities at Fair Value through Profit and Loss £'000	Total £'000	Financial Liabilities measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Financial Assets: Available for sale £'000	Assets and Liabilities at Fair Value through Profit and Loss £'000	Total £'000
Interest Expense	(643)				**(643)**	(658)				**(658)**
Total expense in Surplus or Deficit on the Provision of Services	**(643)**				**(643)**	**(658)**				**(658)**
Interest Income		100	15		**115**		584	19		**603**
Total income in Surplus or Deficit on the Provision of Services		**100**	**15**		**115**		**584**	**19**		**603**

Fair Values of Assets and Liabilities

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

- Estimated ranges of interest rates at 31 March 2011 of 6.63% to 9.38% for loans from the PWLB and 4.25% for other loans receivable and payables, based on new lending rates for equivalent loans at that date.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months the carrying amount is assumed to be approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The Council's investments consisted of fixed term deposits, money market funds and call accounts. The maturity dates of these investments are within 12 months of the balance sheet date therefore the carrying value is assumed to be approximate to fair value. The fair values have been calculated as follows:

Financial Assets

	31 March 2011		31 March 2010	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Investments				
Loans and Receivables	12,460	12,460	8,835	8,835

Financial Liabilities

	31 March 2011		31 March 2010	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Borrowings				
Financial Liabilities	15,973	19,199	16,389	19,339

The fair value of the financial liabilities is higher than the carrying amount because the Council's Portfolio of loans has loans where the interest rate is higher than current market rates at the balance sheet date. This shows a notional future loss (based on the economic conditions as at 31 March 2011) arising from a commitment to pay interest to lenders above current market rates.

The Authority's borrowing is made up of long term and short term borrowing. Long term borrowing refers to loans which mature beyond 12 months from the balance sheet date and short term borrowing is borrowing which matures within 12 months of the balance sheet date.

	Long-term		Current	
	31 March 2011 £'000	31 March 2010 £'000	31 March 2011 £'000	31 March 2010 £'000
Loans by Type				
Public Works Loan Board	6,125	6,000	0	6,176
Other Financial Institutions	3,839	3,404	6,009	809
	9,964	**9,404**	**6,009**	**6,985**
Loans by Maturity				
Less than 1 year	0	0	6,009	6,985
Between 1 and 2 years	801	404	0	0
Between 2 and 5 years	2,073	2,000	0	0
Between 5 and 10 years	0	0	0	0
More than 10 years	7,090	7,000	0	0
	9,964	**9,404**	**6,009**	**6,985**

16. Long Term Investments

The following shareholdings are included in Long-Term Investments:

2008/09 £	2009/10 £		2010/11 £
500	500	Southwest One Ltd	500
250	250	Wessex Reinvestent Society Ltd	250
750	**750**	**Total**	**750**

17. Inventories

2008/09 £	2009/10 £		2010/11 £
169	**193**	**Balance outstanding at start of year**	**169**
24	(24)	Net purchases and issues	(28)
0	0	Written off balances	(8)
193	**169**	**Balance outstanding at year-end**	**133**

18. Debtors

Current Debtors:

	31 March 2011 £000	31 March 2010 £000
Central Government	1,225	508
Other local authorities	1,466	668
NHS Bodies	35	32
Public corporations and trading funds	0	0
Other entities and individuals	4,951	9,969
Total	**7,677**	**11,177**

1 April 2009 Comparatives – due to the reporting capability of the legacy system it would take a disproportionate amount of time to provide the 2008/09 comparative figures in the new format compared to the benefit it would bring to the reader of the Statement of Accounts. It has therefore been agreed with External Audit to exclude these items.

Long term Debtors:

	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
Sundry Mortgages	74	75	77
Car/Bike Loans to Employees	29	80	39
Somerset County Council Loan	1	1	1
Tone Leisure Loan	0	20	40
Total	**104**	**176**	**157**

19. Cash and Cash Equivalents

1 April 2009 £'000	31 March 2010 £'000		31 March 2011 £'000
6	5	Cash Held by the Council	14
838	802	Bank current accounts	950
800	1,600	Call Accounts	1,800
0	2,000	Money Market Funds	3,500
1,500	0	Short-term deposits	5,000
3,144	**4,407**	**Total Cash and Cash Equivalents**	**11,264**

20. Assets Held for Sale

		Current		Non Current
	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000
Balance outstanding at start of year	186	245	0	0
Assets newly classified as held for sale				
- Property Plant and Equipment	1,231	186	0	0
- Additions	131			
Assets sold	(317)	(245)	0	0
Balance outstanding at year-end	**1,231**	**186**	**0**	**0**

21. Creditors

	31 March 2011 £'000	31 March 2010 £'000
Central government bodies	857	22
Other local authorities	2,174	512
NHS bodies	130	0
Public corporations and trading funds	41	0
Other entities and individuals	7,718	8,385
Total	**10,920**	**8,919**

1 April 2009 Comparatives – due to the reporting capability of the legacy system it would take a disproportionate amount of time to provide the 2008/09 comparative figures in the new format compared to the benefit it would bring to the reader of the Statement of Accounts. It has therefore been agreed with External Audit to exclude these items.

22. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

23. Unusable Reserves

1 April 2009 £'000	31 March 2010 £'000		31 March 2011 £'000
2,540	32,118	Revaluation Reserve	14,706
342,624	345,145	Capital Adjustment Account	270,476
(156)	(117)	Financial Instruments Adjustment Account	(78)
(33,497)	(61,454)	Pensions Reserve	(45,417)
(138)	(143)	Collection Fund Adjustment Account	33
(157)	(244)	Accumulated Absences Account	(329)
311,216	**315,305**	**Total Unusable Reserves**	**239,391**

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:

1) Revalued downwards or impaired and the gains are lost.

2) Used in the provision of services and the gains are consumed through depreciation.

3) Disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1st April 2007, this is the date which the reserve was created. Accumulated gains arising before this date are consolidated into the balance on the Capital Adjustment Account.

2009/10 £'000			2010/11 £'000
2,540	**Balance at 1 April**		**32,118**
30,254	Upwards revaluation of assets	3,610	
0	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(20,794)	
30,254	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(17,184)
(220)	Difference between fair value depreciation and historical cost depreciation	(228)	
(456)	Accumulated gains on assets sold or scrapped	0	
(676)	Amount written off to Capital Adjustment Account		(228)
32,118	**Balance at 31 March**		**14,706**

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 amortisations are charged to the Comprehensive Income and Expenditure Statement. The account is credited with amounts set aside by the Council as finance for the cost of acquisition, construction and enhancement. The Account contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007 - the date that the Revaluation Reserve was created to hold such gains. Note 7 – Adjustments Between Accounting Basis and Funding Basis under Regulations, provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2009/10 £'000			2010/11 £'000
342,625	**Balance at 1 April**		**345,145**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(2,055)	Charges for depreciation and impairment of non-current assets	(2,182)	
0	Revaluation losses on Property, Plant and Equipment	(75,867)	
(361)	Amortisation of intangible assets	(272)	
(442)	Revenue Expenditure funded from capital under statute	(2,819)	
(972)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,495)	
338,795			(82,635)
220	Adjusting amounts written out of the Revaluation Reserve		229
339,015	Net written out amount of the cost of non-current assets consumed in the year		262,739
	Use of the Capital financing applied in the year:		
0	Use of the Capital Receipts Reserve to finance new capital expenditure	222	
3,322	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	3,865	
209	Application of grants to capital financing from the Capital Grants Unapplied Account	862	
364	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	345	
1,779	Capital Expenditure charged against the General Fund and HRA Balances	2,803	
334,689			8,097
456	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(360)
345,145	**Balance at 31 March**		**270,476**

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 Council 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 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 Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result the balance on the Account at 31 March 2011 will be charged to the General Fund over the next two years.

2009/10 £'000			2010/11 £'000
(156)	**Balance at 1 April**		**(117)**
39	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	39	
0	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	0	
39	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		39
(117)	**Balance at 31 March**		**(78)**

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 in any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employers contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that the funding will have been set aside by the time the benefits come to be paid.

2009/10 £'000	*Pension reserve*	2010/11 £'000
(33,497)	**Balance at 1 April**	**(61,454)**
(25,412)	Actuarial gains or (losses) on pensions assets and liabilities	9,672
(4,904)	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	4,366
2,359	Employer's pensions contributions and direct payments to pensioners payable in the year	1,999
(61,454)	**Balance at 31 March**	**(45,417)**

Collection Fund Adjustment Account

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

2009/10 £'000		2010/11 £'000
(138)	**Balance at 1 April**	**(143)**
(5)	Amount by which council tax income is credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	176
(143)	**Balance at 31 March**	**33**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise in 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 is neutralised by transfers to or from the Account.

2009/10 £'000		2010/11 £'000	2010/11 £'000
(157)	**Balance at 1 April**		**(244)**
157	Settlement or cancellation of accrual made at the end of the preceding year	244	
(244)	Amounts accrued at the end of the current year	(329)	
(244)	Amount by which officer remuneration charged to the Comprehensive income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements		(85)
(244)	**Balance at 31 March**		**(329)**

24. Cash Flow Statement – Operating Activities

The surplus/deficit on provision of services includes the following items:

2009/10 £'000		2010/11 £'000
(751)	Interest Received	(169)
685	Interest Paid	644
0	Dividends Received	0
(66)		**475**

Adjustments to the Net Surplus/Deficit on Provision of Services for non-cash items:

2009/10 £'000		2010/11 £'000
5,436	Depreciation	5,658
324	Impairment and Downward Valuations	76,236
361	Amortisation	272
123	Increase/(Decrease) in impairment for Provision for Bad Debts	(199)
1,000	Increase/(Decrease) in Creditors	3,059
(5,609)	(Increase)/Decrease in Debtors	2,422
24	(Increase)/Decrease in Inventory	36
2,545	Pension Liability	(6,365)
972	Carrying amount of non current assets sold	1,494
(456)	Movements in the Value of Investment Properties	360
981	Other non cash movements	(7)
5,701		**82,966**

Items extracted from the net surplus/deficit on provision of services as they are included in Investing Activities (Note 25):

2009/10 £'000		2010/11 £'000
(563)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,012)
(563)		**(1,012)**

25. Cash Flow Statement – Investing Activities

2009/10 £'000		2010/11 £'000
(8,275)	Purchase of property plant and equipment, investment property and intangible assets	(8,311)
(132,455)	Purchase of short-term and long-term investments	(100,180)
0	Other payments for investing activities	0
563	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,012
130,455	Proceeds from short-term and long-term investments	103,180
0	Other receipts from investing activities	0
(9,712)	**Net cash flows from investing activities**	**(4,299)**

26. Cash Flow Statement – Financing Activities

2009/10 £'000		2010/11 £'000
7,212	Cash receipts of short-term and long-term borrowing	11,588
0	Other receipts from financing activities	0
0	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	0
(6,000)	Repayment of short-term and long-term borrowing	(12,000)
0	Other payments for financing activities	0
1,212	**Net cash flows from financing activities**	**(412)**

27. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council on the basis of regular "segmental" budget reports analysed across its services and "portfolios". These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made to services in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement). Capital projects are, however, managed through regular budget reports.

- The cost of retirement benefits is based on cash flows (actual payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year and identified by actuaries at the end of the year for adjustment into the Comprehensive Income and Expenditure Statement and Balance Sheet.

- Following the introduction of IFRS, the Comprehensive Income and Expenditure Statement includes notional charges for employee benefits accrued but not paid (such as leave entitlement not taken at year-end); this charge is irrelevant for management control purposes and is not shown in the budget reports.

- Expenditure on some support services is budgeted for and controlled centrally and not recharged to services or portfolios until the year-end.

- For management control purposes, General Fund, HRA and capital are all reported separately with the impact on the Council's reserves shown in summary tables.

The regular budget reports prepared for high-level governance are supported by a dynamic budget-holder reporting framework using SAP, a management information tool which can show individual budget-holders up-to-the-minute spending to the penny in each of their areas of responsibility.

The Council's Corporate Scrutiny Committee meeting of 5 July 2011 received a full report of performance and budget performance for 2010/11. Information considered there included:

(a) Summary scorecard report – provided to show the reader a typical internal management report:

As at: 27/06/2011 **TDBC SCORECARD Q4 2010/11** (Appendix A)

3. MANAGING FINANCES (ref **separate Budget Outturn report** for detailed budget monitoring)

Ref	OBJECTIVES	MEASURES	ALERT	ISSUES (current & future) and IMPACTS
3.1	**Budget monitoring** To control spending within approved budget total for the year	**General Fund Revenue** within 0.5% = ☺ 0.5 – 2% = 😐 over 2% = ☹	☺	**2010/11 Outturn = underspend of £0.492m** **Please refer to separate Budget Outturn report**
		General Fund Capital within 2% = ☺ 2 – 3.5% = 😐 over 3.5% = ☹	☺	Total expenditure for the year **£4.884m** (= **£2.146m underspend**). A budget carry forward of £2.179m is recommended which means the "real" position is an overspend of just £33,000 **Please refer to separate Budget Outturn report**
		Housing Revenue (HRA) within 0.5% = ☺ 0.5 – 2% = 😐 over 2% = ☹	☹	**2010/11 Outturn = overspend of £0.758m** This is largely due to the negative subsidy being much higher than budgeted. **Please refer to separate Budget Outturn report**
		HRA Capital within 2% = ☺ 2 – 3.5% = 😐 over 3.5% = ☹	😐	**2010/11 Outturn = overspend of £0.195m** **Please refer to separate Budget Outturn report**
3.2	**Reserves** To maintain an adequate reserve (based on financial risk analysis)	**General Fund reserve** >£1.25m = ☺ £1 - £1.25m = 😐 <£1m = ☹	☺	**£3.166m** as at end March 2011 This is well above the minimum reserves expectation within the Budget Strategy. **Please refer to separate Budget Outturn report**
3.3	**Next year's budget gap**	A balanced budget 2011/12	☺	The Budget approved by Full Council on 22 February is a balanced budget with a nil budget gap.

(b)

2010/11 Budget Outturn report – Appendix A General Fund:

2009/10 £		2010/11 £
144,629	Communications & Community Leadership	1,309,345
1,120,382	Corporate Resources	790,157
1,331,786	Economic Dev. Property & Tourism	3,497,673
4,530,529	Environmental Services	4,112,824
1,522,350	General Services	1,673,209
2,219,555	Housing Services	2,325,718
437,313	Planning Policy & Transportation	1,346,580
2,911,653	Sports, Parks & Leisure	2,953,568
14,218,197	**Total Service Expenditure**	**18,009,074**
(1,535,320)	Capital Charges Credit	(5,616,410)
217,663	Interest Payable on Loans	190,953
Included above	Soft Loan	169
364,408	Minimum Revenue Provision	344,596
(197,134)	Interest Income	(82,576)
(370,716)	VAT Interest Income (Exceptional item)	(253,843)
	VAT Repayment (exceptional Item)	(323,521)
0	DLO Trading Account Contribution to GF	(73,600)
(355,536)	DLO Trading (Surplus)/Deficit	5,410
102,504	Deane Helpline (Surplus)/Deficit	120,086
855,757	Net Earmarked Reserves Transfers	(430,778)
493,155	Revenue funding of capital expenditure	599,084
Included above	Area Based Grant	(40,175)

13,792,978	**Authority Expenditure**	**12,448,469**
30,620	Special Expenses	47,050
13,823,598	**Borough Expenditure**	**12,495,519**
402,703	Parish Precepts	421,944
14,226,301	**Budget Requirement**	**12,917,463**
(6,935,368)	Contribution from NNDR Pool	(7,615,394)
(1,600,772)	Revenue Support Grant	(1,105,826)
81,600	Surplus on Collection Fund: Council Tax	130,210
(5,761,663)	Council Tax	(5,928,664)
10,098	**Contribution (to)/from General Fund Balances**	**(1,602,211)**

The report above is the final report of a series presented to the Council throughout the year; managers and budget-holders are able to 'drill down' and look at all transactions making up the amounts shown.

Reports are available to the public from the Council's website under "Popular services / Council meetings, minutes and agendas" where readers can also see minutes of Councillors' discussions on budget and performance matters. To see how these statements fit into a historical and strategic perspective, users of the statements are strongly encouraged to view the Council's budget information and other financial and performance information which is also available from the Council's website.

(c) 2010/11 Budget Outturn report – Appendix H Housing Revenue Account:

2009/10 £		**2010/11 £**
	Income	
(20,006,633)	Dwelling Rents	(19,816,792)
(364,621)	Non Dwelling Rents	(481,335)
(398,892)	Charges for Services/Facilities	(462,323)
(246,820)	Contribution towards expenditure on estates	(246,516)
(455,896)	Supporting People	(9,848)
5,874,006	Government Subsidy	6,305,923
-	Subsidy-Housing Defects Act	-
(15,598,856)	**Total Income**	**(14,710,891)**
	Expenditure	
3,864,386	Management General	3,819,282
5,876,152	Maintenance	6,127,059
3,704,420	Capital Charges – depreciation	3,785,000
0	Provision for Bad Debt	844
21,157	Debt Management expenses	905
13,466,115	**Total Expenditure**	**13,733,090**
(2,132,741)	**Net Cost of Services**	**(977,801)**
	Other operating costs and income	
0	CDC Costs	172,510
440,766	Loan Charges – interest	452,327

(35,170)	Interest Receivable	(32,630)
(1,727,145)	**Net Operating Expenditure**	**(385,594)**
	Appropriations	
130,000	Transfer to Earmarked Reserve	113,000
0	Transfer from HRA Capital reserve	(1,069,070)
0	Transfer to GF Procurement Savings	391,380
0	Transfer from GF to Repay ISIS Project Invest to Save	(200,000)
1,669,330	Revenue Contributions to Capital	2,204,447
72,185	**(Surplus)/Deficit**	**1,054,163**

The report above is the final report of a series presented to the Council throughout the year; managers and budget-holders are able to ‘drill down’ and look at all transactions making up the amounts shown.

Reports are available to the public from the Council’s website under “Popular services / Council meetings, minutes and agendas” where readers can also see minutes of Councillors’ discussions on budget and performance matters. To see how these statements fit into a historical and strategic perspective, users of the statements are strongly encouraged to view the Council’s budget information and other financial and performance information which is also available from the Council’s website.

Reconciliation of Budget Outturn reports Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

	2010/11 £000	2009/10 £000
Net expenditure in the General Fund segmental analysis – **Total Service Expenditure**	18,009	14,218
Adjustments as a result of the audit process	229	0
Net expenditure of services and support services not included in the analysis – pensions etc – annual cost, IFRS adjustment, etc	(8,883)	166
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis – – not identified as individually material and so aggregated	(173)	744
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	0	0
Cost of Services in Comprehensive Income and Expenditure Statement – GF	**9,182**	**15,128**
Net expenditure in the HRA segmental analysis – **Net Cost of Services**	(978)	(2,132)
Net expenditure of services and support services not included in the outturn analysis – HRA revaluation	74,679	0
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis – identified as individually material	610	32
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis – not identified as individually material and so aggregated	665	691
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement Cost of Services	0	0
Cost of Services in Comprehensive Income and Expenditure Statement - HRA	**74,976**	**(1,409)**
Cost of Services in Comprehensive Income and Expenditure Statement - total	**84,158**	**13,719**

While the Council routinely confirms its various internal management reports with external reports at headline level, and has always monitored individually material items with different accounting treatments such as employee pension costs, up until now it has not been practicable to reconcile in detail the whole range of reports presented to various audiences covering gross expenditure of some £150m. As the Council further develops its relatively new SAP Management Information System it will strengthen these reconciliations; enabling users of its financial statements to evaluate the nature and financial effects of all the activities in which it engages and the economic environments in which it operates, while balancing this against the cost of producing extremely detailed historical information.

Reconciliation of Subjective Analysis

As well as the "segmental" outturn reports above, the CIPFA Code of Practice specifies a 'subjective analysis' that shows the Council's income and spending across a range of headings such as employee costs, supplies & services, and premises costs. The Council has designed its coding structure so that subjective analysis reports can be produced at any time, but since those reports are not currently used for management control, for clarity they have not been reproduced here. This practice will be reviewed in future years, particularly if there is a demand from the public.

28. Trading Operations

The council has four ex Direct Service Organisations (DLOs), which now operate as trading accounts.

Building Maintenance DLO
Primarily undertakes work for the Council's Housing Department maintaining the housing stock. Workload ranges from minor day-to-day repairs to major capital schemes. The DLO is also contracted to maintain the Council's public buildings and other miscellaneous properties.

Highways DLO
Contracted to maintain all roads, footpaths etc on Council housing estates and other sites for which the Council is responsible. Various, minor sewerage works are also undertaken by the DLO.

Grounds Maintenance DLO
Maintains the Council's parks, playing fields and other open spaces.

Cleansing DLO
Undertakes street sweeping and cleansing of various Council properties such as public conveniences.

Deane Helpline
In addition the council operates the Deane Helpline, which provides a 24-hour response service to the elderly and disabled.

		2008/09		2009/10		2010/11	
		£'000	£'000	£'000	£'000	£'000	£'000
Building Maintenance	Turnover	4,010		4,450		4,443	
	Expenditure	(3,919)		(4,124)		(4,246)	
	Surplus/(Deficit)		**91**		**326**		**197**
Highways DLO	Turnover	834		768		853	
	Expenditure	(839)		(757)		(870)	
	Surplus/(Deficit)		**(5)**		**11**		**(17)**
Grounds Maintenance DLO	Turnover	2,980		2,980		2,796	
	Expenditure	(3,068)		(2,963)		(2,868)	

		2008/09		2009/10		2010/11	
	Surplus/(Deficit)		**(88)**		**17**		**(72)**
Cleansing DLO	Turnover	770		673		642	
	Expenditure	(791)		(670)		(675)	
	Surplus/(Deficit)		**(21)**		**3**		**(33)**
Net DLO Surplus/(Deficit)			**(23)**		**357**		**75**
Deane Helpline	Turnover	904		853		876	
	Expenditure	(910)		(942)		(1,060)	
	Surplus/(Deficit)		**(6)**		**(89)**		**(184)**
Net Trading Surplus/(Deficit)			**(29)**		**268**		**(109)**

Reconciliation to show the movement in the Trading Operations Note - Net Trading Surplus/(Deficit) and the amount included in the Comprehensive Income and Expenditure Statement under the Financing and Investment Income and Expenditure line (Note 10) for 2010/11

	2010/11 £'000
Trading Account (deficit) from note 10	(523)
Adjustments:	
IAS 19 Charge	247
IFRS Employee Benefit Entries	86
Non trading Cost Centres	81
Total (Deficit) per Note 28 Trading Operations	**(109)**

29. Members' Allowances

	2010/11 £'000	**2009/10 £'000**
Allowances	330	332
Expenses	8	8
Total	**338**	**340**

30. Officers' Remuneration

The remuneration paid to the Council's senior employees is as follows:

		Salary, Fees and Allowances £	Expenses Allowances £	Compensation for Loss of Office £	Total Remuneration excluding pension contributions £	Pension Contribution £	Total £
Chief Executive	2010/11	100,786	4,317		105,103	15,118	120,221
	2009/10	100,786	5,852		106,638	15,047	121,685
Strategic Director A	2010/11	72,641	3,685		76,326	11,337	87,663
	2009/10	71,391	3,631		75,022	11,260	86,282
Strategic Director B	2010/11	49,793	3,843		53,636	7,188	60,824
	2009/10	36,315	3,958		40,273	12,507	52,780
Strategic Director C	2010/11	72,641	4,873		77,514	10,896	88,410
	2009/10	71,391	3,983		75,374	10,786	86,160
Strategic Director D	2010/11	74,391	3,692		78,083	11,158	89,241
	2009/10	71,641	3,576		75,217	10,823	86,040
Head of Strategy	2010/11	53,331	778		54,109	7,999	62,108
	2009/10	52,796	319		53,115	7,702	60,817
Head of Growth and Development	2010/11	52,831	3,031		55,862	7,924	63,786
	2009/10	50,454	2,907		53,361	7,555	60,916

		Salary, Fees and Allowances £	Expenses Allowances £	Compensation for Loss of Office £	Total Remuneration excluding pension contributions £	Pension Contribution £	Total £
Head of Community Services	2010/11	54,290	1,458	0	55,748	7,962	63,710
	2009/10	52,652	1,621	0	54,273	7,704	61,977
Head of Legal and Democratic	2010/11	57,679	203	0	57,882	8,652	66,534
	2009/10	57,091	240	0	57,331	8,655	65,986
Head of Performance and Client	2010/11	61,081	5,805	0	66,886	9,162	76,048
	2009/10	57,796	5,575	0	63,371	8,574	71,945
Head of DLO	2010/11	50,282	3,477	0	53,759	7,962	61,721
	2009/10	54,667	4,004	0	58,671	8,932	67,603
Chief Housing Officer	2010/11	0	0	0	0	0	0
	2009/10	52,422	1,675	128,026	182,123	7,795	189,918
Leisure Development Manager	2010/11	0	0	0	0	0	0
	2009/10	39,211	3,021	162,694	204,926	5,805	210,731
Operations Manager Environmental	2010/11	0	0	0	0	0	0
	2009/10	42,510	3,058	80,968	126,536	6,334	132,870

The number of employees whose remuneration, (excluding employer's pension contributions) was £50,000 or more for the year in bands of £5,000 were:

Remuneration band	2010/11	2009/10
£50,000 - £54,999	6	6
£55,000 - £59,999	2	5
£60,000 - £64,999	0	4
£65,000 - £69,999	1	6
£70,000 - £74,999	0	1
£75,000 - £79,999	0	0
£80,000 - £84,999	0	1
£85,000 - £89,999	3	3
£90,000 - £94,000	0	0
£95,000 - £99,999	0	0
£100,000 - £104,999	0	0
£105,000 - £109,999	0	2
£110,000 - £114,999	0	0
£115,000 - £119,999	0	0
£120,000 - £124,999	1	1
£130,000 - £134,999	0	1
£185,000 - £189,999	0	1
£210,000 - £215,999	0	1

31. 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 by the Council's external Auditors:

	2010/11 £'000	2009/10 £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor*	150	93
Fees payable to the Audit Commission for the certification of grant claims and returns	34	60
Fees payable in respect of other services provided by Audit Commission during the year	3	0
Total	**187**	**153**

*The figures for 2010/11 include three instalments from 2009/10.

32. Grant Income

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

	2010/11 £000	2009/10 £000
Credited to Taxation and Non Specific Grant Income		
Council Tax Income	5,799	5,762
Non-domestic Rates	7,615	6,935
Revenue Support Grant	1,106	1,601
Area Based Grant	40	23
Capital Gants	3,865	7,079
	18,425	**21,400**
Credited to Services		
Council Tax Benefit	6,768	6,450
Rent Allowances	16,472	14,883
Rent Rebates	11,648	10,841
Other Grants	2,251	2,720
Total	**37,139**	**34,894**

33. 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 other party's ability to bargain freely with the Council.

Central Government

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g council tax bills, housing benefits). Grant income is shown in Note 32.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total members allowances paid in 2010/11 is shown in Note 28. During 2010/11 works and services to the value of £553,264 were commissioned from companies in which 8 members had an interest. Contracts were entered into in full compliance with the council's standing orders. In addition, the Council paid grants totalling £208,260 to voluntary organisations in which no members had positions on the governing body. No grants were made to organisations whose senior management included close members of the families of members. Details of all these transactions are recorded in the Register of Members Interests, open to public inspection at the council office during office hours.

Officers

During 2010/11 no officers of the council declared any pecuniary interest in any works, services or grants commissioned or awarded by the council.

34. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table overleaf, 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) which is a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed as follows:

Capital Financing Requirement (CFR)	**2010/11 £'000**	**2009/10 £'000**
Opening Capital Financing Requirement	**23,036**	**23,402**
Capital Investment		
Property Plant and Equipment	8,564	8,471
Assets Held for Sale	131	0
Investment Properties	0	0
Intangible Assets	24	101
Revenue Expenditure Funded from Capital Under Statute	2,818	1,132
	11,537	**9,704**
Sources of Finance		
Capital Receipts	(222)	0
Government Grants and Other Contributions	(4,727)	(4,220)
Major Repairs Allowance	(3,785)	(3,704)
Sums Set Aside from Revenue		
Direct Revenue Contributions	(2,803)	(1,782)
Minimum Revenue Provision	(345)	(364)
	(11,882)	**(10,070)**
Closing Capital Financing Requirement	**22,691**	**23,036**

Explanation of movements in the Capital Financing Requirement in year:

	2010/11 £'000	**2009/10 £'000**
Decrease in underlying need to borrow (unsupported by government financial assistance)	(345)	(366)
Decrease in the Capital Financing Requirement	**(345)**	**(366)**

35. Leases

Council as Lessee

The Council has leased a number of vehicles for its own use (lessee) and, as lessor, has leased some of its own property to third-party users. Under the transition to IFRS, lease classifications have changed; IAS17 (the relevant international accounting standard) sets out a range of factors to decide whether a lease is an operating lease or a finance lease. The factors are simple in principle but can be complex in practice; in summary, a lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership while a lease is classified as an operating lease simply if it is not a finance lease.

The accounting treatment is quite different. Because finance leases are in effect a way of transferring ownership, assets leased under finance leases are shown in the Council's balance sheet as assets, and the cost of the lease is shown as a liability. Operating leases are in effect a way of obtaining the use of an asset, so the lease costs are charged directly to services and the asset is not shown in the balance sheet.

Prior to IFRS all the Council's leases were classed as operating leases. During the transition to IFRS all lease details have been reviewed, and leases have continued to be recorded as operating although with a small number of vehicle leases (mainly those ending during 2011/12) the classification is subject to further information becoming available.

Operating Leases

The Council has recorded 82 leases for vehicles ranging from vans, lorries and cars to specialist mowers. Lease periods range from 1 to 7 years, most commonly 5 years, and all current operating leases expire by December 2014. The total of future minimum lease payments due in future years are:

	31 March 2011 £'000	31 March 2010 £'000
Not later than one year	97	74
Later than one year and not later than five years	136	208
Later than five years	0	0
Total payments due in future years	**233**	**282**

All leased vehicles are used by Taunton Deane DLO, and the total lease payments charged to the "(Surpluses) deficits on trading activities not included in net cost of services" line in note 10 to the Comprehensive Income and Expenditure Statement during the year 2010/11 was:

	2010/11 £'000	2009/10 £'000
Minimum lease payments	175	184
Contingent rents	0	0
Total expenditure charged	**175**	**184**

Council as Lessor

The Council as lessor has not granted any finance leases.

Operating Leases

As part of its work to support local communities, the Council has granted leases in respect of a number of its properties (principally commercial premises and business units) which were treated as operating leases prior to the IAS17 IFRS changes and which still meet the new criteria for operating leases. Periods range from rolling 1-week notice periods to 999 years.

Because of the nature of leases granted by the Council, and in particular its aim of tackling community deprivation and sustainable community deprivation mixed with its commercial awareness, the gross investment in the lease and the minimum lease payments that will be received over the following periods is subject to significant and sometimes-unpredictable variables such as property values at rent-review intervals and the subsequent change in lease payments. For example, particularly in the current economic climate, it is in practice impossible to reliably predict how long a new or renewing leaseholder may be prepared to commit to. The figures in the table overleaf are therefore a reasoned estimate assuming that annual lease income remains constant.

Operating leases:	31 March 2011 £'000	31 March 2010 £'000
Not later than one year	650	597
Later than one year and not later than five years	2,932	n/a
Later than five years and not later than ten years.	2,469	n/a
Total payments due in future years	**6,051**	**597**

The minimum lease payments above do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. Because of the inherent variability of rental income in the medium to long term, the information in this note has been closed-off at ten years. This will be reviewed in future years if less volatile information becomes available.

36. Impairment Losses

During 2010/11, the Council has recognised impairment losses of £326,500 in relation to two of it's car parks. This is due to a fall in income due to a reduction in the number of spaces available in the car park. The impairment losses were charged to the Highways and Transport Services line in the Comprehensive Income and Expenditure Statement.

37. Termination Benefits

The Council terminated the contracts of 6 employees in 2010/11, incurring liabilities of £55,600.

38. Defined Benefit Pensions Schemes

As part of the terms and conditions of the 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 that need to be disclosed at the time that the employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, administered by Somerset County Council. This is a funded scheme, which means that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with the investment assets.

Transactions relating to retirement benefits

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

	Local Government Pension Scheme	
	2010/11 £'000	**2009/10 £'000**
Comprehensive Income and Expenditure Statement (CIES)		
Cost of Services:		
Current service cost	3,181	2,141
Past service costs	(9,890)	0
Settlements and curtailments	26	384
	(6,683)	**2,525**
Financing and Investment Income and Expenditure		
Interest Cost	6,660	5,221
Expected return on scheme assets	(4,343)	(2,842)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(4,366)**	**4,904**
Other Post Employment Benefit Charged to the CIES		
Actuarial Gains and Losses	(9,672)	25,412
Total Post Employment Benefit Charged to the CIES	**(9,672)**	**25,412**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	**4,366**	**(4,904)**
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers contributions payable to scheme	**1,999**	**2,359**

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial gains of £9,672,000 (2009/10 losses of £25,412,000) were included in the Movement in Reserves Statement.

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2010/11 is a loss of £15,285,000.

Assets and Liabilities in Relation to Post-employment Benefit

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Funded Liabilities: Local Government Pension Scheme	
	2010/11 £'000	**2009/10 £'000**
Opening balance at 1 April	**(120,887)**	**(78,526)**
Current service cost	(3,181)	(2,141)
Interest cost	(6,660)	(5,221)
Contributions by scheme participants	(848)	(870)
Actuarial (gains) and losses	8,534	(37,964)
Benefits paid	3,979	4,072

Past service costs	9,890	0
Curtailments	(26)	(384)
Settlements	0	0
Unfunded pension payments	146	147
Closing balance at 31 March	**(109,053)**	**(120,887)**

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 oublic service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI)

This has the effect of reducing Taunton Deane Borough Councils liabilities in the Local Government Pension Scheme by £9,890,000 and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48 since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund or Housing Revenue Account.

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2010/11 £'000	**2009/10 £'000**
Opening balance at 1 April	**59,433**	**45,029**
Expected rate of return	4,343	2,842
Actuarial gains and losses	1,138	12,552
Employer contributions	1,999	2,359
Contributions by scheme participants	848	870
Benefits Paid	(4,125)	(4,219)
Closing balance at 31 March	**63,636**	**59,433**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Scheme History

	2006/07 £'000	**2007/08 £'000**	**2008/09 £'000**	**2009/10 £'000**	**2010/11 £'000**
Present value of liabilities	(92,848)	(84,854)	(78,526)	(120,887)	(109,053)
Fair value of assets	72,484	62,403	45,029	59,433	63,636
Surplus/(Deficit) in the scheme	**(20,364)**	**(22,451)**	**(33,497)**	**(61,454)**	**(45,417)**

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £45,417,000 has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £59,433. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- The deficit on the Local Government scheme will be made good by increased contributions over the remaining working life employees (ie before payments fall due), as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year 31 March 2012 is: £1,993,000.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. The Local Government Pension Scheme have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the Council Council Fund being based on the latest full valuation of the scheme as at 31 March 2011.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2010/11	**2009/10**
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.7%	7.8%
Government Bonds	4.4%	4.5%
Corporate Bonds	5.5%	5.5%
Property	6.8%	6.9%
Cash	3.0%	3.0%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	19.8	19.8
Women	23.9	22.5
Longevity at 65 for future pensioners:		
Men	21.9	20.4
Women	25.8	23.1
RPI Increases	3.5%	3.9%
CPI Increases	2.7%	n/a
Rate of increase in salaries	5.0%	5.4%
Rate of increase in pensions	2.7%	3.9%
Rate for discounting scheme liabilities	5.5%	5.5%
Take-up of option to convert annual pension into retirement lump sum	50%	50%

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

	31 March 2011	31 March 2010
Equity Investments	74%	72%
Gilts	6%	7%
Other Bonds	12%	11%
Property	7%	8%
Cash	1%	2%

History of Experience Gains and Losses

The actuarial gains identified as movements in the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2010/11 %	2009/10 %	2008/09 %	2007/08 %	2006/07 %
Differences between the expected and actual return on assets	1.8%	21.1%	(45.3%)	(22.6%)	5.4%
Experience gains and losses on liabilities	(1.1%)	0.0%	0.0%	(1.0%)	0.0%

39. Contingent Liabilities

Tone Leisure

During 2004/05 the Council created a Leisure Trust, Tone Leisure, to manage its leisure services on its behalf. The Council fully deficit funds the Leisure Trust. During the creation of the trust, Tone Leisure has become an admitted body into the Somerset County Council Pension Fund and the Council has provided a guarantee that it will meet the employers' contributions due to the Pension Fund if the Trust were to fail to make the necessary payments. In addition if there were to be a deficit on the pension fund - attributable to Tone Leisure's employee pension entitlements at the date of termination of the Council's relationship with the Trust - then the Council would need to make good that deficit by increasing its own contributions to the Fund on an agreed basis. The deficit on the pension fund attributable to Tone Leisure at 31 March 2010 has not been included within the Council's main single entity financial statements and, as part of the Council's group accounts a share has been included in line with Group Accounting requirements. However, the amount disclosed, in compliance with the relevant accounting requirements, does not fully reflect the Council's overall potential liability in this matter, which amounts to approximately £0.808m (2009/10 £1.934m). The Council's equity interest in Tone Leisure as shown in these Group Accounts takes into account the potential liability

40. Contingent Assets

After a review there have been no contingent assets identified for the Council in 2010/11.

41. Nature and Extent of Risks Arising From Financial Instruments

The Council '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 Council might not have funds available to meet its commitments to make payments

Market risk - the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements

In the normal course of its business, the Council will almost always have large amounts of cash-in-hand (the equivalent of a commercial company's working capital) since it often receives money such as grants or council tax shortly before paying it out to cover the costs of its services. 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. The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and has set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code. 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.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. The Council actively minimises credit risk as much as practicable through its treasury management strategy; deposits are not made with banks and financial institutions unless they are rated independently with a minimum score of A (prior to October 2008 deposits were also permitted with the top 20 UK Building Societies, some of which were not rated independently). The Council also has a policy of not lending more than £3.5 million to one institution.

The following analysis summarises the Council's potential exposure to credit risk from its financial assets. There has been no significant experience of default or uncollectability over the last five financial years.

	Amount at 31 March 2011 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2011 %	Estimated maximum exposure to default and uncollectability at 31 March 2011 £000	Estimated maximum exposure at 31 March 2011 £000
	A	B	C	(A X C)	
Investments (current assets) – money market funds	2,000	0	0	0	0
Included in cash and cash equivalents – temporary deposits	10,300	0	0	0	0
				0	0

While the Council generally receives money in advance for fees and charges such as planning applications, and so has no credit risk there, a significant amount of council tax payers use the monthly instalment system and the Council also has revenue debtors for a range of other services it provides. As an indication of the credit risk born by the Council, the table on the next page analyses the Council's main year-end debtor report by age of past due but not impaired amounts:

31 March 2010 Trade Debtors £'000		31 March 2011 Trade Debtors £'000	31 March 2011 Impairment £'000	31 March 2011 Trade Debtors not Impaired £'000
1,878	Less than three months	2,012	0	2,012
452	Over three months up to six months	492	0	492
2,127	Over six months up to one year	156	42	114
0	More than one year	990	231	759
4,457		**3,650**	**273**	**3,377**

Liquidity Risk

As the authority has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to incur additional borrowings at a time of unfavourable interest rates

The maturity analysis of financial liabilities is as follows:

	31 March 2011 £'000	31 March 2010 £'000
Less than one year	6,009	6,985
Between one and two years	801	404
Between two and five years	2,073	2,000
More than five years	7,090	7,000
	15,973	**16,389**

Market Risk

Interest Rate Risk

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

Borrowings at variable rates – the interest expense charged to Surplus or Deficit on the Provision of Services will rise.

Borrowings at fixed rates – the fair value of the liabilities borrowings will fall.

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

Investments at fixed rates – the fair value of the assets will fall.

Borrowings are carried at amortised cost, 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 Other Comprehensive Income and Expenditure.

The authority has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 50% of borrowings in variable rate loans.

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

According to this assessment strategy, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	2010/11 £'000	2009/10 £'000
Increase in interest payable on variable rate borrowings	(none for 2010/11)	60
Increase in interest receivable on variable rate investments		(186)
Decrease in deficit on Income and Expenditure Account		(126)
Share of overall impact debited/(credited) to the HRA	0	12

Price Risk

The authority does not generally invest in equity shares so is not exposed to gains or losses arising from movements in the prices of the shares.

Foreign Exchange Risk

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

42. Transition to IFRS

As 2010/11 is the first year that local authorities are required to prepare their accounts under IFRS, there are specific transitional arrangements that apply only in this first year. IFRS 1 First-time Adoption of International Financial Reporting Standards is the IFRS that sets out these specific transitional arrangements, and the Code requires authorities to follow this standard, except where interpretations or adaptations to fit the public sector are detailed in the Code. IFRS 1 sets out the principles to be followed when adopting IFRS for the first time, and also sets out some limited exceptions to those principles. These exceptions are intended to ensure that the first set of financial statements to be based on IFRS can be generated at a cost that does not exceed the benefits (see IFRS 1, paragraph 1). The size of the task is indicated by the fact that the Local Authority Code of Practice 2010/11 produced by CIPFA runs to 278 pages while the Guidance Notes to the Code are a further 760 pages.

The main financial statements and notes in this document have all been prepared in accordance with IFRS and the new Code. After careful consideration the Council has decided that the cost in time, money and alternative use of resources of explaining each and every detailed change would not provide any meaningful benefit to the general reader. Instead, where appropriate (such as at the start of the Foreword on page 2) a short description of the effects of the change to IFRS has been included in each section. In addition, the most significant areas affected are:

- Capital grants - amounts of grants unapplied would have been recognised as liabilities under the SORP, but under IFRS these amounts would have been recognised as income and transferred to the Capital Grants Unapplied Account within the Reserves section of the Balance Sheet.

- Classification of leases – now identified as ‘operating’ or ‘finance’ leases based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or lessee.

- What were ‘fixed assets’ are now described as “Property, plant and equipment” with differing requirements for the basis of asset valuations, primarily based on identifying component parts of assets that have significant costs and significantly different economic lives to the rest of the asset.

- Employee benefits – IFRS introduces a specific requirement for entities to accrue for staff benefits, including paid leave, that are not taken at the balance sheet date even if there is no prospect of the employer actually making any payment for those accrued benefits outside normal employee remuneration.

- Disclosures – IFRS contains a significant number of additional disclosure requirements over and above those previously required by the Local Authority Statement of recommended Practice. While some disclosures simply require the publication of existing data, in many cases there has been a significant impact on the time and cost of data collection for the Council.

The greatest affect of IFRS on the Accounts for the Council was in relation to grants unapplied. The impact on the 2009/10 Comprehensive Income and Expenditure Account was increased grant income being recognised of £7m. The other changes made to the comparative figures for 2008/09 and 2009/10 were not material adjustments.

Housing (HRA) Income and Expenditure Account

The HRA Income and Expenditure Statement shows the economic cost in year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase of decrease in the year, on the basis of which rents are raised, is shown in the Movement of the HRA Statement.

2009/10			Note	2010/11	
£'000	£'000			£'000	£'000
		Income			
	(19,521)	Dwelling rents	F		(19,817)
	(364)	Non dwelling rents			(481)
	(1,132)	Charges for services/facilities			(709)
	(456)	Contributions towards expenditure			(210)
	(21,473)				(21,217)
		Expenditure			
3,597		Supervision and Management		4,167	
5,873		Repairs and Maintenance		6,158	
90		Rents, Rates, Taxes and Other Charges		59	
5,874		Housing Revenue Account Subsidy Payable	I	6,306	
0		(Decrease)/Increase in provision for bad debts		1	
4,323		Depreciation of Fixed Assets		78,983	
276		Revenue Expenditure funded from Capital under Statute	H	325	
21		Debt management expenses		20	
	20,054				96,019
	(1,419)	Net Cost of HRA Services, per Council I & E Account			74,802
	173	HRA Services Share of Corporate and Democratic Core			173
	(1,246)	Net Cost of HRA Services			74,975
	410	(Gain) or loss on sale of HRA fixed assets			471
	441	Interest payable and similar charges			452
	(35)	Interest and Investment income			(32)
	485	Pensions interest cost and expected return on Pensions assets			463
	55	(Surplus)/Deficit for the Year on HRA Services			**76,329**

Statement of Movement on the HRA Balance

2009/10 £'000	2009/10 £'000		2010/11 £'000	2010/11 £'000
	2,757	**Balance on the HRA at the end of the year**		**2,647**
(55)		Surplus or (deficit) for the year on the HRA Income and Expenditure Account	(76,329)	
457		Adjustments between accounting basis and funding under statute (see analysis below)	74,320	
402		Net Increase or (decrease) before transfers to or from reserves	(2,009)	
(512)		Transfers (to) or from reserves	956	
	(110)	Increase or (decrease) in the year on the HRA		(1,053)
	2,647	**Balance on the HRA at the end of the current year**		**1,594**

Adjustments between Accounting Basis and Funding Basis Under Statute

This note details the adjustments that are made to the surplus/deficit for the year recognised by the Council on the HRA Statement 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.

2009/10 £'000		**2010/11 £'000**
(39)	Difference between amounts charged to HRA Income and Expenditure for premiums and discounts and the charge for the year determined in accordance with statute	(39)
23	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statute requirements	16
410	Reversal of Gain or (loss) on sale of HRA non-current assets	471
454	HRA share of contributions to or from the Pensions Reserve	548
(1,286)	Capital Expenditure funded by the Housing Revenue Account	(2,205)
895	Sums directed by the Secretary of State to be debited or credited to the HRA that are not income or expenditure in accordance with the Code	75,529
457		**74,320**

Collection Fund

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 fund from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

2009/10			2010/11	
£'000	£'000		£'000	£'000
		Income		
49,318		Council Tax	50,895	
		Transfers from General Fund		
6,441		Council Tax Benefits	6,770	
		Contributions towards previous years' Collection Fund Deficit		
575		Somerset County Council	914	
89		Avon & Somerset Police Authority	143	
38		Devon & Somerset Fire & Rescue Authority	61	
82		Taunton Deane Borough Council	130	
32,755		Income Collectable from Business Ratepayers	33,897	
	89,298			**92,810**
		Expenditure		
		Precepts		
41,503		Somerset County Council	41,487	
6,515		Avon & Somerset Police Authority	6,786	
2,795		Devon & Somerset Fire & Rescue Authority	2,899	
5,762		Taunton Deane Borough Council	5,929	
		Business Rates		
32,596		Payment to National Pool	33,736	
159		Costs of Collection	161	
		Council Tax		
428		Provision for bad and doubtful debts/appeals	119	
(418)		Less write offs during the year	0	
	89,340			**91,117**
	(42)	Surplus/ (Deficit) for the year		**1,693**
	(1,323)	Surplus/ (Deficit) Balance Brought Forward		**(1,365)**
	(1,365)	Surplus/ (Deficit) Balance Carried Forward		**328**
		Attributable to:		
	(1,001)	Somerset County Council		229
	(155)	Avon & Somerset Police Authority		47
	(67)	Devon & Somerset Fire & Rescue Authority		19
	(142)	Taunton Deane Borough Council		33
	(1,365)			**328**

Notes to the Supplementary Statements

Housing Revenue Account

A Housing Stock

The Council was responsible for managing around 6,000 dwellings during 2010/11. The stock at 31 March was made up as follows:

	31 March 2010	31 March 2011
Houses	3,045	3,037
Flats	2,068	2,029
Bungalows	864	864
Other	98	99
	6,075	**6,029**

The change in stock was made up of 11 disposals and 36 demolitions in the year plus an addition where one property was split into two.

B Value of Assets

The balance sheet value of HRA assets at 1 April 2010 and 31 March 2011 is shown below.

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000	**Total Property Plant and Equipment £'000**	Assets Held for Sale £'000	Intangible Assets £'000	**TOTAL Assets £'000**
Cost or Valuation								
At 1 April 2010	300,342	18,641	57	1,987	**321,027**	187	644	**321,858**
Additions	5,641	664	0	0	**6,304**	0	24	**6,328**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(24,559)	57	0	0	**(24,502)**	0	0	**(24,502)**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(74,675)	0	0	0	**(74,675)**	0	0	**(74,675)**
Derecognition – Disposals	(1,082)	0	0	0	**(1,082)**	(187)	0	**(1,269)**
Assets reclassified (to)/from Held for Sale	(239)	0	0	0	**(239)**	239	0	**0**
At 31 March 2011	**205,428**	**19,362**	**57**	**1,987**	**226,833**	**239**	**668**	**227,740**
Accumulated Depreciation and Impairments								
At 1 April 2010	(87)	(213)	(57)	(102)	**(460)**	0	(165)	**(625)**
Depreciation Charge	(3,785)	(415)	0	(51)	**(4,251)**	0	(64)	**(4,315)**
Depreciation written out to the Revaluation Reserve	3,785	323	0	0	**4,108**	0	0	**4,108**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	7	0	0	**7**	0	0	**7**
At 31 March 2011	**(87)**	**(298)**	**(57)**	**(153)**	**(595)**	**0**	**(229)**	**(825)**
Net Book Value as at 31 March 2011	**205,340**	**19,064**	**0**	**1,834**	**226,237**	**239**	**439**	**226,915**

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000	Total Property Plant and Equipment £'000	Assets Held for Sale £'000	Intangible Assets £'000	**TOTAL Assets £'000**
Cost or Valuation								
At 1 April 2009	279,491	13,808	57	1,987	**295,343**	245	643	**296,231**
Additions	4,695	146	0	0	**4,841**	0	1	**4,842**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	17,070	4,688	0	0	**21,758**	0	0	**21,758**
Derecognition – Disposals	(727)	0	0	0	**(727)**	(245)	0	**(972)**
Assets reclassified (to)/from Held for Sale	(187)	0	0	0	**(187)**	187	0	**0**
At 31 March 2010	**300,342**	**18,641**	**57**	**1,987**	**321,027**	**187**	**644**	**321,858**
Accumulated Depreciation and Impairments								
At 1 April 2009	0	256	57	51	**364**	0	100	**465**
Depreciation Charge	3,704	300	0	51	**4,056**	0	64	**4,120**
Depreciation written out to the Revaluation Reserve	(3,704)	(459)	0	0	**(4,163)**	0	0	**(4,163)**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	87	116	0	0	**203**	0	0	**203**
At 31 March 2010	**87**	**213**	**57**	**102**	**460**	**0**	**165**	**625**
Net Book Value as at 31 March 2010	**300,255**	**18,428**	**0**	**1,885**	**320,567**	**187**	**479**	**321,233**

C Value of Dwellings at 31 March 2011

The open market value of dwellings within the HRA at 31 March 2011 is £662,667,639 compared with the balance sheet value of £205,426,968. The difference of £457,240,671 represents the economic cost to the Government of providing Council housing at less than open market rents.

D Rent Arrears

Rent arrears as at the end of the financial year were as follows:

	31 March 2010 £'000	**31 March 2011 £'000**
Rent arrears	383	489
Provision for bad debts	(288)	(240)
Anticipated collectable arrears	95	249
Arrears as % of gross rent income	1.9%	2.5%

E Rent Rebates

Assistance with rents is available under the Housing Benefits scheme for tenants on low incomes. The rent shown in the HRA is the gross rent before rent rebates are granted.

F Gross Rent Income

This is the total rent income due for the year after allowing for voids. During the year 1.1% (0.75% in 2009/10) of available properties were vacant. Average weekly rents were £63.20 an increase of £1.70 (2.76%) over the previous year.

G Major Repairs Reserve

The Council is required to maintain a Major Repairs Reserve. The account is credited with depreciation and is used to finance HRA capital expenditure. The depreciation charge for council dwellings is funded by the major repairs allowance, which is included within the HRA subsidy, and reflects the cost of keeping the stock in its current condition.

	2009/10	2010/11
	£'000	£'000
Balance at 1 April	**0**	**0**
Transfer from Capital Adjustment Account	4,120	4,315
Transfer to Housing Revenue Account to fund non dwelling depreciation	(416)	(530)
Financing of HRA Capital Expenditure	(3,704)	(3,785)
Balance at 31 March	**0**	**0**

H Revenue Expenditure funded from Capital under Statute

The following items of capital expenditure were charged to the HRA:

	2009/10	2010/11
	£'000	£'000
Disabled Facilities Grants	276	325
Total	**276**	**325**

I Entitlement to Housing Subsidy

The amount of Housing Subsidy payable for 2010/11 has been calculated as follows:

	2009/10	2010/11
	£'000	£'000
Management	2,171	2,889
Maintenance	5,813	5,987
Major repairs	3,704	3,785
Charges for capital	1,208	1,039
	12,896	13,700
Rent	(19,317)	(19,807)
	(6,421)	(6,107)
Adjustment for 2009/10	(53)	(199)
Negative Subsidy Payable to the Government	(6,474)	(6,306)

J Total Capital Expenditure and Receipts

	2009/10 £'000	2010/11 £'000
HRA Capital Expenditure		
Dwellings	4,695	5,640
Other land and buildings	170	664
Infrastructure	0	0
Intangible assets	1	24
Revenue expenditure funded from capital under statute	276	325
	5,142	**6,653**
Financed By		
Capital receipts	0	0
Contribution from revenue	1,292	2,204
Major repairs reserve	3,704	3,785
Other grants	146	664
	5,142	**6,653**

Housing Capital Receipts	2009/10 £'000	2010/11 £'000
Dwellings	486	801
Land	25	0
Other assets	43	0
Administrative cost of sales	(25)	(17)
Discount refunded upon sale	34	11
Mortgage repayments – council sales	0	0
	563	**795**

K Pension Scheme

Following advice issued by CIPFA regarding Accounting for Defined Benefit Retirement Benefits in the HRA, TDBC has concluded that neither ring-fencing nor resource accounting in the HRA require the HRA to be treated differently from other services on the grounds of proper practice. There is therefore an amount of £85,000 (2009/10 £44,000) included within management expenditure, which reflects the Current Service Costs of the Pension Scheme, in accordance with IAS19. These costs are currently notional and do not represent real cash outflows. Within the Housing Revenue Account these costs are negated by a contribution from the pension reserve.

Collection Fund

L Council Tax

The Council's tax base for 2010/11, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply), converted to an equivalent number of Band D dwelling, was calculated as follows:

Band	Number of Taxable Dwellings After Discount	Ratio	Band D Equivalent Dwellings
A (Disabled Reduction)	7.50	5/9	4.17
A	5,672.27	6/9	3,781.41
B	13,297.22	7/9	10,342.28
C	8,327.73	8/9	7,402.43
D	6,333.22	9/9	6,333.21
E	4,957.23	11/9	6,058.74
F	3,015.66	13/9	4,355.96
G	1,389.39	15/9	2,315.57

Band	Number of Taxable Dwellings After Discount	Ratio	Band D Equivalent Dwellings
H	58.20	18/9	116.40
	43,058.42		**40,710.17**
Less Adjustment for Collection Rates			(325.68)
Council Tax Base			**40,384.49**

M Income from Business Ratepayers

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area, which are based on local rateable values multiplied by a uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of resident population.

The total non-domestic rateable value at 31 March 2011 was £101,193,288. The standard national non-domestic multiplier for the year was £0.414; the national non-domestic small business multiplier for the year was £0.407.

Group Accounts

The Council's group accounts consolidate into its own accounts (as a single entity) the financial activities of outside organisations such as subsidiaries, joint ventures and associates. This enables the reader of the Annual Statement of Accounts to see the whole span of influence that the Council has. The Council is represented on many external bodies, but as membership of these bodies does not confer any financial obligation on behalf of the Council, these relationships do not require inclusion within the Group Accounts. However, the Council has identified the following organisations as being part of its group accounts:

1. Tone Leisure

During 2004/05 the Council created a Leisure Trust to manage its Leisure facilities. The Council has both financial and service benefits accruing from the Trust's operations. In addition the Trust is dependent on the Council for deficit funding and as such the Council has a degree of control over its activities. The Council has included the Leisure Trust as an Associate within its Group Accounts using the equity method – in other words, in proportion to the level of voting rights that it has on the Leisure Trust Board (16.67%). The Council has a commitment to meet pension fund deficits relating to Tone Leisure upon the termination of the Council's relationship with the Trust. It should be noted that the accounts of Tone Leisure, which have been consolidated into the Council's Group Accounts, are subject to audit. If as a result of the audit the accounts change materially then the Council's group accounts will be amended accordingly. Full details of Tone Leisure's accounts are available from: Mr Robert Warner, Director of Finance, Tone Leisure, The Deane House, Belvedere Road, TAUNTON, TA1 1HE

As a registered charity and social enterprise, Tone Leisure Ltd does not have to use IFRS and so its accounts have been prepared using the 2005 Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities". This has no material effect on the accuracy of the Group accounts.

2. Trust Funds

Excluded from the Council's single entity balance sheet are the financial activities of the two Trust Funds, which the Council operates. The Council administers the assets of the Trust Funds but it does not own the assets; it is however, the sole Trustee. As the Trustee the Council has sole responsibility for controlling the assets of the Trust Funds and is accountable for any losses on the Funds; therefore they are included within the Council's Group Accounts as a directly managed fund.

For all bodies the information used to form the Group Accounts is at 31 March 2011.

The Group Accounts shown on the following pages are as follows:

- Group Comprehensive Income and Expenditure Account
- Group Balance Sheet

As there are no material additional amounts or details in relation to associates or trust funds the notes shown for the single entity accounts are not repeated here.

The main change required to bring together the Group Accounts from the Single Entity Accounts is to bring in the Council's share of the assets and liabilities of its associates and directly managed funds.

As this is the first year that these Group statements follow the same IFRS standards as do the Single Entity Accounts, the 2009/10 comparatives have been restated in accordance with IFRS transition requirements.

Group Comprehensive Income and Expenditure Statement

2009/10 Gross Expenditure £'000	2009/10 Gross Income £'000	2009/10 Net Expenditure £'000		2010/11 Gross Expenditure £'000	2010/11 Gross Income £'000	2010/11 Net Expenditure £'000
7,951	(7,072)	879	Central services to the public	8,459	(7,344)	1,115
17,791	(6,638)	11,153	Cultural, environmental, regulatory and planning services	18,580	(5,173)	13,407
4,215	(4,993)	(778)	Highways and transport services	4,772	(4,760)	12
20,064	(21,473)	(1,409)	Local Authority housing (HRA)	95,926	(20,950)	74,976
28,523	(26,536)	1,987	Other housing services	31,603	(28,582)	3,021
1,370	(8)	1,362	Corporate & Democratic Core	1,374	(25)	1,349
531	(6)	525	Non distributed costs	147	(9,869)	(9,722)
		(39)	Share of operating results of associates			(61)
80,445	**(66,726)**	**13,680**	**Cost of Services**	**160,861**	**(76,703)**	**84,097**
		-	Exceptional items (Note 5,6)			(577)
		1,259	Other operating expenditure (Note 9)			1,502
		1,719	Financing and investment income and expenditure (Note 10)			3,728
		(21,313)	Taxation and non-specific grant income (Note 11)			(18,425)
		(4,656)	**(Surplus) or Deficit on Provision of Services**			**70,325**
		(29,798)	Surplus or deficit on revaluation of Property, Plant and Equipment assets			17,184
		-	Surplus or deficit on revaluation of available for sale financial assets			-
		25,412	Actuarial gains/losses on pension assets/liabilities			(9,672)
		(4,386)	**Other Comprehensive Income and Expenditure**			**7,512**
		(9,042)	**Total Comprehensive Income and Expenditure**			**77,837**

Reconciliation of TDBC Surplus to Group Surplus

	2009/10 £'000	2010/11 £'000
(Surplus) or deficit for the year on the provision of services	(4,626)	70,386
(Surplus) or deficit for the year arising from Associate company	(30)	(61)
Group Account (surplus) or deficit for the year on services	**(4,656)**	**70,325**

Group Balance Sheet

1 April 2009	31 March 2010			Note	31 March 2011	
£'000	£'000	£'000			£'000	£'000
279,491		300,255	Council Dwellings			205,340
67,874		76,561	Other Land and Buildings			77,715
1,125		3,035	Vehicles, Plant and Equipment			3,300
10,419		10,514	Infrastructure Assets			10,841
3,590		4,284	Community Assets			4,312
1,894		1,339	Assets under construction			1,558
2,874		3,329	Investment Property			3,029
1,183		923	Intangible Assets			674
3		3	Long Term Investments			3
(76)		(245)	Share in net assets of associates			(30)
157		176	Long Term Debtors			104
368,534		**400,174**	**Long Term Assets**			**306,846**
3,000	5,000		Short term Investments		2,000	
245	186		Assets Held for Sale		1,231	
193	169		Inventories		133	
6,378	11,177		Short Term Debtors		7,677	
3,168	4,431		Cash & Cash Equivalents		11,285	
12,984		**20,963**	**Current Assets**			**22,326**
	0		Cash & Cash Equivalents			
(6,203)	(6,985)		Short Term Borrowing		(6,009)	
(7,285)	(8,919)		Short Term Creditors		(10,920)	
(13,488)		**(15,904)**	**Current Liabilities**			**(16,929)**
		405,233				**312,243**
0	0		Long Term Creditors		0	
0	0		Provisions		0	
(9,000)	(9,404)		Long Term Borrowing		(9,964)	
(33,497)	(61,454)		Other Long Term Liabilities		(45,417)	
0	0		Capital Grants Receipt in Advance		0	
(42,497)		**(70,858)**	**Long Term Liabilities**			**(55,381)**
325,533		**334,375**	**Net Assets**			**256,862**
14,240		18,916	Usable Reserves			17,321
311,293		315,459	Unusable Reserves			239,541
325,533		**334,375**	**Total Reserves**			**256,862**

II. Impact of Group Accounts on the Cash Flow Statement

As the 'group' arrangement does not materially affect the day-to-day operations of either the associate company or the trust funds administered by the Council, the group accounts have no significant impact on the cash flow statement previously presented on page 18.

Glossary of Terms

Local government, in common with many other specialised fields, has developed over the years its own unique set of terms and phrases. This glossary helps to identify some of those terms and phrases, which will be found in this statement.

Accruals
The concept that income and expenditure are recognised in the financial records as they are earned or incurred, not as the money is received or paid.

Amortisation
The loss in value of an intangible asset due to its use by the Council. Amortisation is a non-cash item, it is merely an accounting assessment.

Apportionment
The sharing of costs fairly based upon usage of a service.

Assets Held for Sale
Assets held for sale are assets which it is expected that their carrying amount is going to be recovered principally through a sale transaction rather than continued use.

Audit Commission
Auditors employed by the Audit Commission provide the external audit of the accounts, performance plan, and grant claims of Taunton Deane Borough Council.

Billing Authority
A local authority responsible for the collection of council tax and non-domestic rates.

Budget Requirement
The budget requirement is the net revenue expenditure calculated in advance each year by every billing authority and precepting authority. It is important for two reasons; as a step in the valuation of council tax and as a basis for local authority capping. It is calculated as the estimated gross revenue expenditure minus the estimated revenue income, allowing for movements in reserves.

Capital Charges
A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of their services; the charges reflect notional depreciation costs only.

Capital Expenditure
Expenditure on the purchase or provision of assets, which will be of long-term value to the authority e.g. land, buildings, vehicle, plant and equipment.

Capital Receipts
The proceeds from the sale of land and other assets. Capital receipts can be used to finance new capital expenditure, within rules set down by the government, or to repay debt on existing assets.

Chartered Institute of Public Finance Accountancy (CIPFA)
CIPFA is a privately funded professional body with charitable status, which represents accountants working in the public sector. The institute provides financial and statistical information for local government and other public sector bodies and advises central government and other bodies on local government and public finance matters.

Collection Fund
A statutory fund maintained by a billing authority, which is used to record local taxes and non-domestic rates collected by the authority, along with payments to precepting authorities and the national pool of non-domestic rates, as well as into it's own general fund.

Community Assets
Assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Commuted Sum
An amount paid to the council by a developer to cover the cost of maintaining a piece of land over a number of years, usually play areas.

Corporate and Democratic Core
The corporate and democratic core comprises all activities, which local authorities engage in specifically because they are elected, multi-purpose authorities. The costs of these activities are over and above those that would be incurred by a series of independent, single purpose, nominated bodies managing the same services.

Council Tax
The main source of local taxation for local authorities. Council tax is set by local authorities and is levied on all domestic dwellings whether houses, bungalows, flats, maisonettes, mobile homes or houseboats, and whether owned or rented. The proceeds are paid into the council's Collection Fund for distribution to precepting authorities and for use by its own General Fund. Council Tax replaced community charge on 1st April 1993.

Creditors
Amounts owed by the authority at the balance sheet date in respect of goods and services received before the end of the financial year.

Debtors
Amounts owed to the authority but unpaid at the balance sheet date.

Depreciation
Represents the reduction in useful economic life of an asset whether arising from use, the passage of time, or obsolescence.

Direct Service Organisation (DSO)/Direct Labour Organisation (DLO)
The term direct service organisation (DSO) is used to cover both direct labour organisations (DLO's) established under the Local Government, Planning and Land Act 1980 and DSO's established under the Local Government Act 1988. These organisations are set up by a local authority to provide services subject to compulsory competitive tendering (CCT). Although the requirements of CCT no longer apply to these services, the terms DLO and DSO are still commonly used.

Discontinued Operations
Operations comprise services and divisions of service as defined in CIPFA's standard classification of income and expenditure. An operation should be classified as discontinued if all of the following conditions are met:

- The termination of the operation is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved;
- The activities related to the operation have ceased permanently;
- The termination of the operation has a material effect on the nature and focus of the local authority's operations and represents a material reduction in its provision of services resulting either from its withdrawal from a particular activity (whether a service or division of service or its provision in a specific geographical area) or from a material reduction in net expenditure in the local authority's continuing operations;
- The assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes.

Operations not satisfying all these conditions are classified as continuing.

Estimates
The amounts which are expected to be spent, or received as income, during an accounting period. The term is also used to describe detailed budgets, which are either being prepared for the following year, or have been approved for the current year.

Fair Value
An estimate of the market value of a financial asset or liability for which a market price cannot be determined.

Fees and Charges
Income raised by charging for the use of facilities or services.

Financial Instruments
Cash, evidence of an ownership interest in an entity, or a contractual right to receive, or deliver, cash or another financial instrument.

Finance Lease
A lease that transfers substantially all of the rewards of ownership of a fixed asset to the lessee.

Fixed Assets
Tangible assets that yield benefits to local authority and the services it provides for a period of more than one year.

General Fund
All district and borough councils have to maintain a general fund which is used to pay for day-to-day items of non-housing revenue expenditure such as wages and salaries, heating and lighting, office supplies, etc. Spending on the provision of council housing, however, must be charged to a separate Housing Revenue Account.

Government Grants
Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

Group Accounts
The council is required to consolidate into its own accounts (as a single entity) the financial activities of outside organisations such as subsidiaries, joint ventures and associates. These consolidated accounts show the whole span of influence, which the council has, and are known as group accounts.

Gross Expenditure
The total cost of providing the council's services, before taking into account income from government grant and fees and charges for services.

Housing Revenue Account (HRA)
Local authorities are required to maintain a separate account – the Housing Revenue Account – which sets out the expenditure and income arising from the provision of housing. Other services are charged to the general fund. Since 1990/91, local authorities have not been allowed to transfer monies between their General Fund and their HRA; this is known as "ring fencing". Rents charged to council house tenants are set based on convergence with the rents levied by other social housing providers, such as housing associations, by 2016/17.

Housing subsidy
Most authorities receive HRA subsidy from the government to cover the costs of proving, managing and maintaining dwellings, allowable capital charges and paying housing benefit to council tenants. HRA subsidy is payable when the authority's notional HRA expenditure exceeds its notional HRA income (i.e. from rents and interest on receipts), as determined by the government – this is the current position of the council.

IFRS
International Financial Reporting Standards (IFRS's) are issued by the Accounting Standards Board. The council's accounts conform to IFRS's where they are applicable to local authorities.

IFRS Code of Practice
International Financial Reporting Standards Code of Practice Local Authority Accounting in the United Kingdom - this is the Code produced by CIPFA the Council follows to produce the Statement of Accounts.

Impairment
A reduction in the value of fixed assets caused either by a consumption of economic benefits or by a general fall in prices.

Infrastructure Assets
Fixed assets that by their nature cannot be sold and therefore expenditure is only recoverable by continued use of that asset. Examples of infrastructure assets are highways and footpaths.

Inventories
Inventories include goods or other assets purchased for resale, consumable stores and raw materials.

Investments
A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments are classified as such only when it is intended to hold the investment for more than one year or where there are restrictions on the investor's ability to dispose of it. Investments which do not meet the above criteria should be classified as current assets.

Investment Properties
Investment Properties are properties which are held by the Council solely to earn rentals or for capital appreciation or for both.

JANE
This a joint arrangement that is not an entity

Minimum Revenue Provision (MRP)
The minimum revenue provision is the sum required to be met from revenue under current capital controls to provide for the repayment of outstanding borrowings; additional sums may be voluntarily set aside.

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.

Net Current Replacement Cost
The cost of replacing or recreating the particular asset in its existing condition and for its existing use.

Net Expenditure
Gross expenditure less specific service income, but before deduction of revenue support grant.

Net Realisable Value
The open market value of the asset in its existing use net of the potential expenses of sale.

National Non-domestic Rate (NNDR)

A levy on businesses, based on a national rate in the pound set by the government multiplied by the "rateable value" of the premises they occupy. NNDR is collected by billing authorities in line with national criteria, and then redistributed among all local authorities and police authorities on the basis of population. Also known as "business rates", the "uniform business rate" and the "non-domestic rate".

Operating Lease

A type of lease, usually for vehicles or equipment, which is similar to renting and which does not come within the government's capital control system. The risks and rewards of ownership of the asset must remain with the lessor for a lease to be classified as an operating lease.

Post Balance Sheet Events

Events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the authority approves the financial statements.

Precept

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from council taxpayers on their behalf.

Precepting Authorities

Those authorities which are not billing authorities i.e., do not collect the council tax and non-domestic rate. County councils and police and fire authorities are "major precepting authorities" while parish, community and town councils are "local precepting authorities".

Property Plant and Equipment

Property Plant and Equipment is the word used for a group of assets which consist of the following: Council Dwellings, Other Land and Buildings, Vehicles Furniture Plant and Equipment, Infrastructure Assets, Community Assets, Assets Under Construction and Surplus Assets.

Provisions

Provisions are amounts set aside in one year for liabilities or losses which are likely or certain to be incurred, but uncertain in timing or value.

Public Works Loan Board (PWLB)

A central government agency, which provides long and shorter-term loans to local authorities.

Re-chargable Works

Ad-hoc jobs, the costs of which are recoverable from third parties.

Reserves

Reserves are amounts set aside which do not fall within the definition of provisions and include general reserves (or "balances"), which every authority must maintain as a matter of prudence.

Revenue Contribution to Capital Outlay (RCCO)

Resources provided from the council's revenue budget to finance the cost of capital projects (also known as "direct revenue financing").

Revenue Expenditure

This can be defined as expenditure on the day-to-day running of the council.

Revenue Expenditure funded from Capital under Statute

Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's council tax.

Revenue Support Grant (RSG)

This is the grant which the government pays to the council to bridge the gap between income raised by the council tax and NDR and the total assessment of the authority's need to spend (as measured by its standard spending assessment). The payment of RSG attempts to ensure that differences in spending needs and resources between authorities are equalised, in order to permit each authority to support a standard level of spending.

Section 137 Expenditure
Local authorities generally require specific statutory powers in order to incur expenditure. Expenditure incurred under section 137 is the exception to this. Section 137 of the Local Government Act 1972 gives a power to a local authority to undertake a limited amount of spending on activities for which it has no specific powers, but which it considers will bring direct benefit to all or some of the area or its inhabitants.

Standard Spending Assessment (SSA)
Central government's assessment of what an individual authority needs to spend in order to provide a standard level of service. The SSA is used to calculate the authority's revenue support grant and its capping limit.

Urgent Issues Task Force (UITF) –
The role of the UITF is to assist the Accounting Standards Board where there are unsatisfactory or conflicting interpretation of accounting standards.

Useful Life
The period over which the local authority will derive economic benefits from the use of a fixed asset.

Work in Progress
The value of work on an uncompleted project at the balance sheet date, which has yet to be recovered from the client.

AGENDA ITEM NO. 9

Taunton Deane Borough Council

Corporate Governance Committee – 26 September 2011

Risk Management Update

Report of the Performance & Client Lead
(This matter is the responsibility of Executive Councillor Vivienne Stock-Williams)

1. Executive Summary

1.1 This report provides an update on progress with Corporate Risk Management.

1.2 The Corporate Risk Register (attached as Appendix A) has undergone a scheduled six-monthly review on 5 September by the Corporate Management Team (CMT).

1.3 The overall Risk Exposure (shown in the Summary Risk Profile) remains unchanged from the last review in February, however some minor changes and additions have been made to the Risk Register.

2. Background

2.1 Introduction

Risk Management is an important element of management and in planning and providing the safe delivery of economic, efficient, and effective Council services. It is recognised as an integral part of good management practice. To be most effective, risk management should become part of the Council's culture. It should be part of the philosophy, practices and service planning rather than viewed as a separate initiative. When this is achieved, risk management becomes the business of everyone in the organisation and therefore is embedded

2.2 Definitions

Risk Management - is the systematic approach and process by which risks are identified, evaluated and controlled and is one of the key elements of the Corporate Governance framework.

Risk – is an uncertain event or set of events that, should it occur, will have an effect on the achievement of objectives. A risk is measured by the combination of the probability of a perceived threat or opportunity occurring and the magnitude of its impact on objectives.

2.3 Roles and responsibilities

2.3.1 The role of the Corporate Governance Committee

The Corporate Governance Committee is responsible for monitoring the corporate governance of the authority. It will receive regular reports on the way risk is being managed in the authority.

Members' key tasks in relation to Risk Management are:

- Approving the Risk Management Strategy and implementation plan.
- Monitoring the effectiveness of the Council's risk management and internal control arrangements.
- Reviewing the Corporate Risk Register

3. Risk Management progress update

3.1 Corporate Risk Register

3.1.1 The annual review of the Corporate Risk Register was completed in February 2011 by the Corporate Management Team (CMT) – the revised risk register was reported to the Corporate Governance Committee 14th March 2011.

3.1.2 A six-monthly review of the Corporate Risk Register was conducted on 5 September by CMT. Changes and additions are identified in the document by the use of *italics*; however a summary of the key changes is below:

- A risk that was previously included – "The Growth Agenda is not delivered" has been merged with Corporate Aim 2: Regeneration (risk no 2b)
- A new sub-element of Risk 1 (Failure to deliver effective leadership during a period of change & uncertainty) has been added - 1f) *'Failure to manage Member & staff expectations if resource/capacity changes as a result of the Budget Review'*
- A new sub-element of Risk 3 (Failure to agree sustainable MTFP) has been added – 3g) *'Failure to deal with 2011/12 in-year projected budget overspend'*
- A 'movement' column has been included in the Risk Register – this is intended to identify where a risk (score) has increased (⇧), decreased (⇩), or remained the same (⬄) since the last review.

3.1.3 A copy of the current Corporate Risk Register can be found in **Appendix A**. It is recommended that the Committee review the risks and control measures, making particular note of the high risk areas, identified by a score of 15 or higher (also highlighted in red).

3.1.4 Summary Risk Profile

A simple technique for providing a visualisation of the total risk is to use a Summary Risk Profile to position individual risks on a map. This shows the combined probability and impact assessment so that Members and Managers may gain an overall impression of the total exposure to risk. The Summary Risk Profile is found in Appendix A (at the start of the Risk Register).

3.1.4 'Risk Response Action Plans' for the highest level risks have been developed. These contain:

- details of the actions and controls in place (or planned)
- the 'actionee' (the Officer with responsibility for the action)
- progress monitoring (ie 'Green', 'Amber' or 'Red' status alert)
- Post-response target risk score (where appropriate)

These action plans have not been included in this report, however Members may be reassured that the Performance & Client Lead is monitoring progress of the actions, and updating the action plan as part of the on-going Risk Management process and recent CMT review.

3.2 **Operational Risk Registers**

3.2.1 Risk Registers have been produced for each Theme as part of the 2011/12 service planning process. Copies have been issued to the Performance & Client Lead (responsible for corporate risk management) and are being reviewed for consistency and compliance with the TDBC Risk Management Strategy, Policies & Guidance. A quarterly review of these risk registers is now included on the Theme Manager meeting forward plan.

3.3 **Project Risk Registers**

3.3.1 A summary of key corporate project risk registers in place is as follows:

Corporate Project	Owner	Date / version
LDF Core Strategy	SL	June 2011 (Strategy Unit Service Plan 2011/12 v1)
SAP implementation & re-launch	RS / PH	Dec 2010 (Performance & Client team service plan 2011/12)
DLO internal transformation	BC	Nov 10 (v1.2) NB - This is being refreshed in light of the decision to approve the internal transformation
Procurement transformation	PH	Client team risk & issues log – monthly review at Procurement Steering Group & Procurement Client Management meetings
Priority Areas Strategy	ML	Nov 2010
Halcon Regeneration Project	TB / AN	Feb 2011
Budget Review programme	SL/DW	July 2011
HRA Reform Project	JB	June 2011

3.4 **Risk Management Improvement Plan 2011/12** – the key areas of focus to further improve and embed Risk Management during 2011/12 are:

- Review and refresh the Corporate Risk Management Strategy, Policy and Procedures (in accordance with the Office of Government Commerce 'Management of Risk' framework and approach 2010)
- Ensure joint risk reviews are conducted / updated with all key partners (ie Southwest One, Tone Leisure, Somerset Waste Partnership)
- Deliver training on Risk Management to the Corporate Governance Committee (and other Members and Managers as appropriate)

4. Finance Comments

4.1 Financial risk is explained in the Risk Management Strategy and considered within the Corporate Risk Register.

5. Legal Comments

5.1 Legal risk is explained in the Risk Management Strategy and considered within the Corporate Risk Register.

6. Links to Corporate Aims

6.1 As this report covers the Council-wide approach to managing risk, all Corporate Priorities are affected

7. Environmental and Community Safety Implications

7.1 These areas are considered within the Corporate Risk Register.

8. Equalities Impact

8.1 An Equalities Impact Assessment is not required. Equalities issues are considered within the Risk management process.

9. Risk Management

9.1 This report outlines all aspects of corporate Risk Management.

10. Partnership Implications

10.1 Partnership risk management is referred to in the Risk Management Strategy, Action Plan, and Corporate Risk Register.

11. Recommendations

11.1 It is recommended that the Corporate Governance Committee:

- Review the updated Corporate Risk Register (Appendix A)
- Note progress with Risk Management

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Appendix A

Corporate Risk Register

Summary Risk Profile (Sept 2011)

LIKELIHOOD (A)					
Very Likely 5					
Likely 4				5	
Feasible 3			2	4	1
Slight 2				6, 7	3
Very Unlikely 1					
	Insignificant 1	Minor 2	Significant 3	Major 4	Critical 5
	IMPACT (B)				

Risk No.	Risk & descriptions	Responsible CMT Member	Consequences	Existing Control Measures	Current Score: Impact	Current Score: Probability	Score	Movement ⇩⇧⇔
1	**Failure to deliver effective leadership during period of change & uncertainty (Political & Managerial)**	**Shirlene Adam**	• Organisation not fit for purpose, and cannot meet the demands of the Government • Organisation unable to identify & capture tangible benefits of change projects • Organisation fails to drive full benefits from SAP &/or Procurement • Potential impact on staff morale, leading to increased: staff sickness absence; industrial unrest / strikes; grievances / disciplinaries / complaints		**Critical**	**Feasible**	**15**	⇔
a)	Change Programme does not achieve objectives and the organisation has no obvious Plan B			- Budget Review Programme (inc 'Plan B'). - Theme 5 restructure (CMT). - SAP Task & Finish. - Increased challenge on Procurement by CMT				
b)	Members do not embrace the changes and resist proposals			- Members Change Steering Group. - Regular briefings by the Chief Exec to Group Leaders.				
c)	Lack of clarity on the programme of changes to fit the future			Hub reports to CMT				
d)	Staff are not supported on changes implemented from the Budget Review programme			- Staff briefings. - Budget Review Programme & communications strategy. - Unison Forum. - Members induction programme. - Staff care & support plan. - Reports to Leads group. - Extra HR resources engaged to support the Budget Review Programme				
e)	Failure to address the issues arising from the 2010 Staff Survey			- Organisation Development plan. - H & S committee consultation.				
f)	*Failure to manage Member & staff expectations if resource/capacity changes (as a result of the Budget Review)*			Budget Review Project 'Internal Stakeholder Engagement' workstream & Communications Strategy				

Risk No.	Risk & descriptions	Responsible CMT Member	Consequences	Existing Control Measures	Current Score		Score	Movement
					Impact	Probability		⇩⇧⇔
2	**Failure to deliver the corporate aims ('TRAC')**				**Significant**	**Feasible**	**9**	⇔
a)	**Corporate Aim 1: Tackling Deprivation & Sustainable Community Development** - Failure to produce coherent programme / lack of strategic vision & planning to address/mitigate - Lack of awareness (outside of 2 areas in Taunton) of the other "rising hotspots" within the Deane	**Shirlene Adam**	• Areas of deprivation remain • Communities in these areas are not given the support and priority they need to improve and activity may be misdirected • Potential for further areas to slip into deprivation	- 'Priority Areas Strategy' - project team in place. - Engagement with Multi-Agency Groups. - TD Partnership 'buy-in'				
b)	**Corporate Aim 2: Regeneration** - Failure to produce coherent strategy and delivery plan - Failure to deliver a sound Core Strategy within reasonable timescales - Unsustainable development proposals permitted due to lack of 5 year land supply - Members and/or Community resist growth agenda - TDBC organisationally is not resourced to support this growth and the place shaping agenda - Failure to exploit opportunities from Local Enterprise Partnerships (new funding, & making our case nationally for regional infrastructure) - Lack of market appetite for growth	**Joy Wishlade / Tim Burton**	• Failure to deliver sustainable economic and housing growth targets • Loss of external funding • Reputation damaged • Inappropriate development (in the wrong places) • TDBC becomes a dormitory region - with residents working and finding recreational activities outside of the Deane • Local economy does not develop - lack of quality jobs created / redundancies • Transport infrastructure becomes more gridlocked • TDBC will not be able to compete with other regions in terms of attracting business growth	- Taunton Advisory Board. - Regeneration Steering Group - Core Strategy work programme & specialist team in place - 5 year review period of land supply - Briefings with the community / business community / Members. Monkton Heathfield community engagement pane - 'Memorandum of understanding' with developers - TDBC heads up Local Investment Plan process. - Employment land working group. - Leading role with Local Development Partnership				
c)	**Corporate Aim 3: Affordable Housing** - Failure to produce coherent strategy and delivery plan	**Shirlene Adam**	• Failure to deliver Affordable Housing targets	Affordable Housing Steering Group				
d)	**Corporate Aim 4: Climate Change** - Failure to have coherent programme to address impact of climate change - No plans in place to reduce carbon footprint of the organisation or the community - Failure to gain LSP partners' support	**Kevin Toller**	• Carbon footprint continues to grow • No community leadership on green issues (energy management/recycling improvements/ sustainable buildings)	- Climate Change Steering Group. - '10% less' energy campaign. - Carbon Management Action Plan (approved Aug 11)				
e)	**Failure to effectively deploy resources to deliver priorities (capacity)** - Insufficient resources to meet expectations - Inappropriate use of resources	**Penny James**	• Council priorities not delivered • Negative impact on delivery of corporate priority outcomes	Budget Review Programme				
f)	Lack of engagement with staff & partners and poor visibility / low priority given to Corporate Aims	**Penny James**	• Council priorities not delivered • Negative impact on delivery of corporate priority outcomes	- Review of Corporate Aims included within Budget Review Programme (Member briefings/Scrutiny)				

Risk No.	Risk & descriptions	Responsible CMT Member	Consequences	Existing Control Measures	Current Score: Impact	Current Score: Probability	Score	Movement ⇩⇧⇔
3	**Failure to agree sustainable MTFP**	**Shirlene Adam**	• Potential budget shortfall in 2012/13 • Potential adverse impact on Council's limited reserves & financial standing • Potential loss of staff & knowledge in key service areas • Potential service closure / reduced service quality • Inability to deliver customer expectations • Adverse impact on remaining staff • Adverse impact of local elections in 2011 • Adverse impact of HRA self-financing not finalised • Adverse impact of Partner's budget changes • Members will be required to make difficult budget decisions	Budget Strategy / Budget Review Programme. Core Council Review (Themes 3 & 5). Housing self-financing.	**Critical**	**Slight**	**10**	⇔
a)	Less Central Government funding							
b)	Insufficient capital resources to fund Corporate Strategy objectives							
c)	Impact of Project Taunton on revenue streams from car parks to be resolved							
d)	Unclear on impact of economic downturn on Council's finances, including arrears position							
e)	Failure to exploit new funding & borrowing opportunities							
f)	Failure to have coherent plan for dealing with Council's assets moving forward		• Insufficient management information on Council's assets and the influence they have on corporate priorities • No clear property strategy for TDBC public buildings and depots	- Asset management Group / Asset Management Plan. - Budget Review Programme - Capital / Asset review workstream				
g)	*Failure to deal with 2011/12 in-year projected budget overspend*		*Insufficient reserves to deal with strategic changes needed (ie resulting from Budget Review Programme)*	*CMT analysis & review of Quarter 1 - in-year budget saving options considered. Further review in Q2*				
4	**Failure to effectively manage the impact of Government Reforms**	**Simon Lewis**	• Elected Members & staff unsighted on changes ahead • Potential intervention / action by Central Govt • Community not engaged in conversations re service changes • Increased demand & pressure on resources • Increased referendums & legal work • Increased role of the community / impact on elected Members' role? • Different role for LAs when dealing with welfare support	- Hub reports provided for CMT & Scrutiny as appropriate. - Strategy Team / Theme & Service managers are monitoring changes. - Links to Budget review Programme. - TDBC involvement in consultation on changes & reforms. - Attendance to briefings / network events - reports to CMT. - Budget Review Programme 'High Level Principles' agreed re devolving services where appropriate (work on-going)	**Major**	**Feasible**	**12**	⇔
a)	Failure to be aware of, understand and adequately address the implications on Services, the Community, & Partners from Govt policy reform, including: • New Homes Bonus • Homes & Community Agency • Supporting People programme • Rents reforms • Welfare reforms • HRA reforms • Localism Bill • Health white paper • Open Public Services white paper							
b)	Failure to adequately address the implications or exploit opportunities of increased working with the 'Third Sector'		• Voluntary organisations unable or unwilling to deliver increased outcomes • TDBC expected to close gaps left from Partners' cuts					

Risk No.	Risk & descriptions	Responsible CMT Member	Consequences	Existing Control Measures	Current Score: Impact	Current Score: Probability	Score	Movement ⇩⇧⬄
5	**Key partnerships fail to deliver Council's objectives (SW1, TLL, SWP)**	**Richard Sealy**	• Potential breakdown in relationships between partners • Impact on customers of service failure • Contract renegotiation • Financial implications (inc imposing penalties) • Impact on staff • Adverse impact on day-to-day service delivery (during SCC negotiations with SW1)	• Governance processes in place for different partners • Client Team monitor partner • Contractual arrangements in place • Regular Member scrutiny • Regular briefings re SW1 with Group Leaders in place • Legal advice re SW1 obtained when necessary • Indemnity in place for SW1 Board Members • Contingency planning	Major	Likely	16	⬄
a)	Differing priorities by Administrations at TDBC & SCC							
b)	Partners fail to deliver required performance levels							
c)	Lack of clarity on objectives							
d)	Changes instigated by SCC							
6	**Failure to have comprehensive & effective Business Continuity Plans & arrangements in place for TDBC**	**James Barrah**	• Negative impact on corporate support services (eg: IT; Communications; Data Security) • Essential services may be reduced / not delivered • General services may be reduced / not delivered • May not be compliant with civil contingencies requirements / obligations on TDBC • Failure to respond effectively to local/major civil emergency or incident • Adverse impact on Council reputation • Unable to deliver IT support during emergencies	• CMT rota in place • Recent Rest Centre exercise • Draft BCPs in place • Progress monitored with service BCPs (near 100%) • Housing & DLO rotas in place • Contractual arrangements in place (Sw1, TLL) • Kilkenny has reciprocal arrangements with other authorities • Somerset Civil Contingencies partnership • DLO in discussions with Sedgemoor re shared depot	Major	Slight	8	⬄
a)	No detailed plan for how the Council would operate in terms of major emergencies							
b)	No awareness of plan by staff / management / members							
c)	Inadequate IT disaster recovery plan							
7	**Inadequate Health & Safety arrangements in place**	**Kevin Toller**	• Loss of life • H & S incidents occur that could have a negative impact on the Council's reputation, management and staff involved. • Negative impact on relationship with Unison & staff. • Financial loss	• H & S committee • Reports to Corp Gov Cttee • Safety Reps • H & S training programme in place • Dedicated H & S advisory resource • IOSHH qualified competent persons at Depot • H & S action plan (& quarterly monitoring)	Major	Slight	8	⬄

Taunton Deane Borough Council

Report of Internal Audit Activity
Quarter 2 2011/12

Internal Audit ▪ Risk ▪ Special Investigations ▪ Consultancy

Contents

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Summary Page 2

Our audit activity is split between:

- **Operational Audit**
- **Managed Audit**
- **Governance, Fraud & Corruption**
- **Special Reviews**

Role of Internal Audit

The Internal Audit service for Taunton Deane Borough Council is provided by South West Audit Partnership (SWAP). SWAP has adopted and works to the Standards of the Institute of Internal Auditors, but also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter approved by the Corporate Governance Committee at its meeting on 14th March 2011. Internal Audit provides an independent and objective opinion on the Council's control environment by evaluating its effectiveness. Primarily the work includes;

- Plan of Operational Reviews
- Annual Review of Key Financial System Controls (Managed Audits)
- Annual review of Key Governance and Fraud Controls

Overview of Internal Audit Activity

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Section 151 Officer, following consultation with the Corporate Management Team and External Auditors. This year's Audit Plan was reported to the Corporate Governance Committee at its meeting in March 2011.

Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.

Quarter 2 Outturn:

We rank our recommendations on a scale of 1 to 5, with 1 being minor or administrative concerns to 5 being areas of major concern requiring immediate corrective action

Internal Audit Work Programme

The schedule provided at Appendix A contains a list of all audits as agreed in the Annual Audit Plan 2011/12. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Each completed assignment includes its respective “control assurance” opinions together with the number and relative ranking of recommendations that have been raised with management. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as shown in Appendix C.

Where assignments record that recommendations have been made to reflect that some control weaknesses have been identified as a result of audit work, these are considered to represent a less than significant risk to the Council’s operations. However, in such cases, the Committee can take assurance that improvement actions have been agreed with management to address these.

Quarter 2 Outturn:

Completed Audit Assignments In The Period

Operational Audits

Operational Audits are a detailed evaluation of a service's control environment. A risk evaluation matrix is devised and controls are tested. Where weaknesses or areas for improvement are identified, actions are agreed with management and target dated.

There were six operational audits scheduled for quarter 2 within the TDBC Audit Plan for 2011/12. These were:

a) Heritage and Landscape Services

b) Economic Development

c) Leases - Rents Receivable

d) Supporting People

e) Housing Benefit Subsidy

f) Legal Services

We have completed to draft report the audit of Heritage and Landscape Services . The audits of Economic Development, Leases, Supporting People and Housing Benefit Subsidy are in progress. The Legal Services audit has been removed from the audit plan following discussion with the client. Additionally, we have commenced an audit on Licensing Income in quarter 2 which was originally scheduled for quarter 4.

Key Control Audits

Key Control Audits are completed to assist the External Auditor in their assessment of the Council's financial control environment. None of these key control audits were scheduled for quarter 2 of the TDBC Audit Plan for 2011/12.

Quarter 2 Outturn:

Completed Audit Assignments In The Period

Governance, Fraud and Corruption Audits

Governance, Fraud and Corruption Audits focus primarily on key risks relating to cross cutting areas that are controlled and/or impact at a Corporate rather than Service specific level.

The TDBC Audit Plan for 2011/12 included three Governance audits which were scheduled for quarter 2. These were:

a) Threat from Fraud and Corruption (Analytical Review)

b) Information Governance

c) Annual Governance Statement Review

The first two audits are currently in progress. In respect of the Annual Governance Statement review the audit scope was amended to provide advice in the construction of the Statement. and the number of days required was considerably reduced.

We have a further 3 audits scheduled for quarter 4 which are : Equalities and Diversity, Safeguarding of Children and Vulnerable adults and Service Planning.

IT Audits

During quarter 2 we included a review of IT Asset Management for which we have issued a Final Report. This audit was additional to the original plan and was co-ordinated with a similar review for Somerset County Council. This enabled us to make time savings for TDBC.

Special Reviews

A special review was commenced within quarter 2 which is examining the procedures in the leasing of some land owned by TDBC. This review is currently in progress.

We keep our audit plans under regular review, so as to ensure we are auditing the right things at the right time.

Future Planned Work

This is detailed in Appendix A and is obviously subject to any changes in agreement with the S151 officer.

Conclusions

For those audits still required by the client SWAP are on target to complete those audits as planned. For the audits completed to report stage each report contains an action plan with a number of recommendations which are given service priorities. Definitions of these priorities can be found in the Categorisation of recommendations section in Appendix C.

SWAP have recently implemented a change to the audit process for operational reviews whereby an assessment on the management of each risk is included in reports. Any risks where the auditor's assessment of risk to the organisation is "Very High" will be reported to the Audit Committee.

Audit report findings which have priority scores 4 or 5 are highlighted in Appendix B together with recommendations and management responses.

TDBC management have responded positively to internal audit suggestions for improvements and corrective action has already been taken in a number of cases.

TDBC AUDIT PLAN 2011/12

APPENDIX A

1 = Minor → 5 = Major

Directorate/Service	Audit Area	Quarter	Audit Days	Status	Opinion	No. of recs	Recommendations 1	2	3	4	5
Key Control Audits	Creditors	1	5	Final Report	Partial	10	0	0	8	2	0
Key Control Audits	Debtors	1	5	Final Report	Partial	4	0	0	1	3	0
Governance, Fraud & Corruption	Contract Management monitoring	1	10	Discussion document							
Governance, Fraud & Corruption	Health & Safety - Internal	1	10	Completed							
Governance, Fraud & Corruption	Managing Complaints	1	10	Draft Report							
Governance, Fraud & Corruption	Maximising Income Opportunities	1	10	In Progress							
Governance, Fraud & Corruption	Scheme of Delegation	1	10	Final Report	Reasonable	2	0	0	2	0	0
Operational Audits	Car Parks Income	1	15	Final Report	Partial	4	0	0	2	1	1
Operational Audits	Choice Based Lettings	1	15	In Progress							
Operational Audits	DLO Stores (External Sales)	1	15	Draft Report							
Operational Audits	Housing Benefits Subsidy	2	10	In Progress							
Governance, Fraud & Corruption	Annual Governance Statement Review	2	10	Completed							
Governance, Fraud & Corruption	Information Governance	2	10	In Progress							
IT Audits	IT Asset Management	2	5	Draft Report							
Special Review	Sale of Land	2	6	In Progress							
Governance, Fraud & Corruption	Threat from Fraud or Corruption (Analytical Review)	2	10	In Progress							
Operational Audits	Economic Development	2	15	In Progress							
Operational Audits	Heritage and Landscape Services	2	20	Draft Report							
Operational Audits	Leases - Rents receivable	2	10	In Progress							
Operational Audits	Legal Services	2	15	Audit Cancelled							
Operational Audits	Supporting People	2	15	In Progress							
IT Audits	CoCo	3	10								
Key Control Audits	Capital Accounting	3	10								
Key Control Audits	Council Tax	3	10								
Key Control Audits	Creditors	3	10								
Key Control Audits	Debtors	3	10								
Key Control Audits	Housing Benefits	3	10								
Key Control Audits	Housing Rents	3	10								
Key Control Audits	Main Accounting	3	10								
Key Control Audits	NNDR	3	10								

Directorate/Service	Audit Area	Quarter	Audit Days	Status	Opinion	No. of recs	Recommendations				
							1	2	3	4	5
Key Control Audits	Payroll	3	10								
Key Control Audits	Treasury Management	3	5								
Governance, Fraud & Corruption	Equalities and Diversity	4	10								
Governance, Fraud & Corruption	Safeguarding of Children and Vulnerable Adults	4	10								
Governance, Fraud & Corruption	Service Planning	4	10								
IT Audits	IT Strategy	4	10								
Operational Audits	Housing Property Services - Contract Allocation/Monitoring	4	20								
Operational Audits	Licensing Income	4	15	in Progress							
Operational Audits	Planning Fees	4	15								
Operational Audits	Waste and Recycling	4	5								

APPENDIX B

Schedule of Key Actions from 2011/12 Internal Audit Work completed by SWAP (since the June Report)

Date.	Name of Audit	Weakness Found	Risk Identified	Recommended Action	Management's Agreed Action	Agreed Date of Action
June 2011	Debtors	Although an authorised signatory list has been compiled on a theme basis which gives details or who can authorise credit notes and a request for service (286) has been made to create roles for the creation and separate authorisation of credit notes, this work is still in progress.	Credit Notes are not raised and processed correctly	I recommend the Accounts Receivable Manager promptly progresses with Southwest One the matter of developing roles within SAP for the creation and separate authorisation of credit notes.	The progression of this RFS is dependant on ICT resources being made available – it is hoped that by the end of June 2011 that ICT will have a plan for addressing this– the implementation date reflects the fact that this plan is as yet not complete and has not been shared with the Finance service.	31.03.12
June 2011	Debtors	Although migrated debts to sales offices are being reviewed, miscellaneous debts (ACAD £235,991) do not have a natural owner.	Outstanding debts are not collected.	I recommend the Section 151 Officer ensures of review of miscellaneous (ACAD) migrated debts is undertaken and a view taken to what extent higher value debts are recovered and lower value debts are written off.	The Performance & Client Lead will arrange for debts above £500 in the ACAD sales office to be analysed in order to identify the appropriate 'owner' on a case by case basis. The owner will determine the appropriate next steps to be taken in order to address the debt. This is a manual exercise involving interrogating both SAP and the legacy systems.	30.09.12

Date.	Name of Audit	Weakness Found	Risk Identified	Recommended Action	Management's Agreed Action	Agreed Date of Action
June 2011	Debtors	Through discussion with the Performance and Client Lead it was established although the Accounts Receivable team are contacting service managers about aged debts and asking them what recovery method they wish to use or write-off, in general responses are not forthcoming.	Outstanding debts are not collected.	I recommend the Section 151 Officer and Corporate Management Team look into the reasons given by service units for the lack of responses to the accounts receivable team about decisions on aged debts, with a view to progressing recovery action or write-off.	Feedback to be sought from the AR Manager giving examples and Services where poor response rates are encountered. This will then be raised as an agenda item at Theme Managers meeting.	30.08.11
June 2011	Creditors	Although E-PRF's are scheduled to be rolled out mid-June, the roll-out is still outstanding.	Transaction or event has not occurred or does not relate to the audited body.	I recommend the Shared Accounting Manager ensures E-PRF's are promptly rolled out throughout the Council and this is supported by appropriate guidance and training, which includes ensuring they are linked to VAT invoices.	A time table for the roll out of the EPRF has just been agreed with TDBC – training will commence on 13 June and finish on 23 June (3 sessions). Training guidance is already on the TDBC Intranet.	23.06.11 for completion of training
June 2011	Creditors	The master data vendor file has not been cleansed of duplicate suppliers.	Fraudulent or duplicate payments are made	I recommend the Shared Accounting Manager ensures a cleanse of the master vendor data file is carried out promptly.	The anticipated completion of this exercise is March 2012.	31.03.12

Audit Framework Definitions

Control Assurance Definitions

Comprehensive	★★★ I am able to offer comprehensive assurance as the areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.
Reasonable	★★☆ I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	★☆☆ I am able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
None	▲☆☆☆ I am not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

Categorisation Of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors, however, the definitions imply the importance.

Priority 5: Findings that are fundamental to the integrity of the unit's business processes and require the immediate attention of management.

Priority 4: Important findings that need to be resolved by management.

Priority 3: The accuracy of records is at risk and requires attention.

Priority 2: Minor control issues have been identified which nevertheless need to be addressed.

Priority 1: Administrative errors identified that should be corrected. Simple, no-cost measures would serve to enhance an existing control.

Definitions of Risk

Risk	Reporting Implications
Low	Issues of a minor nature or best practice where some improvement can be made.
Medium	Issues which should be addressed by management in their areas of responsibility.
High	Issues that we consider need to be brought to the attention of senior management.
Very High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

Taunton Deane Borough Council

Corporate Governance Committee – 26 September 2011

Anti-Bribery Policy

Report of the Strategic Finance Officer
(This matter is the responsibility of Executive Councillor Stock-Williams**)**

1. Executive Summary

- The Bribery Act 2010 came into force on 1st July 2011
- Bribery is a criminal offence and the offences carry criminal penalties for individuals an organisations

2. Background

2.1 The Bribery Act 2010 received royal assent on the 8th April 2010 and came into force on1st July 2011. The Act is designed to address bribery and corruption in the public and private sector, and will mean that any incorporated organisation, including councils, could be liable to severe penalties if they fail to implement adequate procedures to prevent bribes being paid or received on their behalf.

2.2 The Act includes two general offences involving, firstly, the offering or paying of bribes ("active" bribery) and secondly, the request or receipt of bribes ("passive" bribery). The Act also provides that a commercial organisation could be guilty of an offence if a person "associated with" the organisation commits a bribery offence. The definition of a commercial organisation includes public bodies. However, organisations will have a defence against prosecution of they can demonstrate that they had "adequate procedures" in place to prevent bribery.

2.3 Previously organisations were only likely to be guilty of a bribery offence if senior management was involved. Under the new Act the offence applies to all staff in the organisation and could even mean that an organisation may be guilty of an offence even if no-one within the organisation apart form the individual offender knew of the bribery.

2.4 Furthermore, organisations could be liable for the conduct of any person who performs services for or on behalf of the organisation, and this could include contractors and sub-contractors. There are serious penalties for offences committed under the Act, including a maximum jail term of 10 years for individuals engaging in bribery and potentially unlimited fines for organisations which fail to implement "adequate procedures" to prevent bribery.

3. The Bribery Act 2010

3.1 There are four key offences under the Act:

- Bribery of another person (section 1)
- Accepting a bribe (section 2)
- Bribing a foreign official (section 6)
- Failing to prevent bribery (section 7)

The offences carry criminal penalties for individuals and organisations. For individuals, a maximum prison sentence of ten years and/or an unlimited fine can be imposed; for organisations, an unlimited fine can be imposed.

3.2 Councils will be expected to demonstrate they have implemented "adequate procedures" in order to prevent bribery. Having adequate procedures in place provides a defence to the corporate offence of failing to prevent bribery. The Ministry of Justice Guidance includes steps that can be taken by organisations to show that they have "adequate procedures" in place. The Guidance is based around six principals for bribery prevention, which are not prescriptive and are not intended to be "one size fits all".

3.3 The six principals are summarised below;

1. Proportionate Procedures – The action taken should be proportionate to the risks faced by your business and the size of your business.
2. Top-level commitment – Those at the top of an organisation are in the best position to ensure their organisation conducts business without bribery
3. Risk Assessment – Think about the bribery risks you might face. For example do some research into the markets you operate in and the people you do business with.
4. Due diligence – knowing exactly who you are dealing with can help to protect your organisation from taking on people who may be less than trustworthy.
5. Communication – Communicating you policies and procedures to staff and to others who will perform services for you.
6. Monitoring and review – The risk you face and the effectiveness of your procedures may change over time.

3.4 In light of the six principals, it is essential that the Council's policies are up to date, reflect the requirements of this new legislation and are sufficiently robust to prevent bribery and to mitigate the risk of committing a bribery offence.

3.5 The Guidance makes clear that if there is very little risk of bribery being committed on behalf of an organisation then there may not be the need for any procedures to prevent bribery. However where there is a risk of bribery then, if an organisation wants to rely on the defence (3.2), the procedures adopted should be appropriate to the risk faces. There are no requirements for extensive written documentation or policies, particularly as it is acknowledged that an organisation may already have proportionate procedures through existing policies.

3.6 The Council has in place an Anti-Fraud and Corruption Policy along with a Whisleblowing policy and an employee code of conduct.

3.7 Given the above a new policy has been written. The policy is intended to allow “business as usual” whilst making officers, members and the public aware of the Bribery Act 2010.

3.8 If the policy is adopted then it will be loaded onto the intranet and a short article will be produced in the Core Brief to ensure all staff and members are aware of the new policy.

3.9 The policy is given in Appendix A.

4. Finance Comments

4.1 The Council has controls in place such as the Contract Procedure Rules that protect the Council against bribery and potential losses of this nature.

5. Legal Comments

5.1 The legal implications are fully set out in this report.

6. Links to Corporate Aims

6.1 There are no links to Corporate aims of this policy

7. Environmental Implications

7.1 There are no environmental implications of this policy

8. Community Safety Implications

8.1 There are no community safety implications of this policy

9. Equalities Impact

9.1 An initial equality impact assessment has been completed and has concluded that the policy does not have a direct impact on equality (see appendix B)

10. Risk Management

10.1 There is a risk that bribery will happen however these are managed through the controls and policies that Taunton Deane Borough Council have in place

11. Partnership Implications

11.1 As mentioned in 2.2 the Act provides that a commercial organisation could be guilty of an offence if a person "associated with" the organisation commits a bribery offence this includes our partners.

12. Recommendations

12.1 That the Anti-Bribery Policy be adopted

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Appendix A

Taunton Deane Borough Council Anti Bribery Policy & Procedures

Policy Statement – Anti Bribery

Bribery is a criminal offence. Taunton Deane Borough Council does not, and will not, pay bribes or offer improper inducements to anyone for any purpose, nor do we or will we, accept bribes or improper inducements.

To use a third-party as a conduit to channel bribes to others is a criminal offence. We do not, and will not, engage indirectly in or otherwise encourage bribery.

We are committed to the prevention, deterrence and detection of bribery. We have zero-tolerance towards bribery. We aim to maintain anti-bribery compliance as “business as usual”, rather than as a one-off exercise.

What is Bribery?

Bribery is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage.

The Bribery Act

There are four key offences under the Act:

- bribery of another person (section 1)
- accepting a bribe (section 2)
- bribing a foreign official (section 6)
- failing to prevent bribery (section 7)

The Bribery Act 2010 (http://www.opsi.gov.uk/acts/acts/2010/ukpga 20100023 en 1) makes it an offence to offer, promise or give a bribe (section 1). It also makes it an offence to request, agree to receive, or accept a bribe (section 2). Section 6 of the Act creates a separate offence of bribing a foreign public official with the intention of obtaining or retaining business or an advantage in the conduct of business. There is also a corporate offence under Section 7 of failure by a commercial organisation* to prevent bribery that is intended to obtain or retain business, or an advantage in the conduct of business, for the organisation. An organisation will have a defence to this corporate offence if it can show that it had in place adequate procedures designed to prevent bribery by or of persons associated with the organisation.

**For the purposes of the Act, Taunton Deane Borough Council is a considered to be a commercial organisation*.

Objective of this policy

This policy provides a coherent and consistent framework to enable the organisation's employees and members to understand and implement arrangements enabling compliance. In conjunction with related policies and key documents it will also enable members/employees to identify and effectively report a potential breach.

TDBC requires that all members and staff, including those permanently employed, temporary agency staff and contractors:

- act honestly and with integrity at all times and to safeguard the Council's resources for which they are responsible and to safeguard the council's good reputation
- comply with the spirit, as well as the letter, of the laws and regulations of all jurisdictions in which TDBC operates, in respect of the lawful and responsible conduct of activities.

Scope of this policy

This policy applies to all of TDBC's activities. For partners, joint ventures and suppliers, we will seek to promote the adoption of policies consistent with the principles set out in this policy.

Within TDBC, the responsibility to control the risk of bribery occurring resides with all members and officers. It does not rest solely within assurance functions, but in all service areas, business units and corporate functions.

This policy covers all personnel, including all levels and grades, those permanently employed, temporary agency staff, contractors, non-executives, agents, Members (including independent members), volunteers and consultants.

TDBC's Commitment to Action

TDBC commits to:

- setting out a clear anti-bribery policy and keeping it up to date
- making all employees aware of their responsibilities to adhere strictly to this policy at all times
- training key employees so that they can recognise and avoid the use of bribery by themselves and others
- encouraging its employees to be vigilant and to report any suspicions of bribery, providing them with suitable channels of communication and ensuring sensitive information is treated appropriately
- rigorously investigating instances of alleged bribery and assisting police and other appropriate authorities in any resultant prosecution
- taking firm and vigorous action against any individual(s), (employees, contractors, agents) involved in bribery
- provide information to all employees to report breaches and suspected breaches of this policy
- include appropriate clauses in contract documents to prevent bribery.

TDBC's Proportionate Procedures

TDBC's procedures to prevent bribery by persons associated with it are proportionate to the bribery risks it faces and to the nature, scale and complexity of its activities. They are intended to be clear, practical, accessible, effectively implemented and enforced.

Top level commitment

CMT and Executive are committed to preventing bribery by persons associated with it. They foster a culture within the organisation in which bribery is never acceptable.

Risk Assessment

TDBC assesses the nature and extent of its exposure to potential external and internal risks of bribery on its behalf by persons associated with it. The assessment is periodic, informed and documented. It includes financial risks but also other risks such as reputational damage.

Due Diligence

TDBC applies due diligence procedures, taking a proportionate and risk based approach, in respect of persons who perform or will perform services for or on behalf of the organisation, in order to mitigate identified bribery risks.

Communication (including training)

TDBC seeks to ensure that its bribery prevention policies and procedures are embedded and understood throughout the organisation through internal and external communication, including training that is proportionate to the risks it faces.

Monitoring and review

TDBC monitors and reviews procedures designed to prevent bribery by persons associated with it and makes improvements where necessary.

This organisation is committed to proportional implementation of these principles.

Penalties

An individual guilty of an offence under sections 1, 2 or 6 is liable:

- on conviction in a magistrates court, to imprisonment for a maximum term of 12 months or to a fine not exceeding £5,000, or to both
- on conviction in a crown court, to imprisonment for a maximum term of ten years, or to an unlimited fine, or both

TDBC is liable for these fines and, if guilty of an offence under section 7, are liable to an unlimited fine.

Bribery is not tolerated

It is unacceptable to:

- give, promise to give, or offer a payment, gift or hospitality with an expectation or hope that a business advantage will be received, or to reward a business advantage already given
- give, promise to give, or offer a payment, gift or hospitality to a government official, agent or representative to “facilitate” or expedite a routine procedure
- accept payment from a third party that you know or suspect is offered with the expectation that it will obtain a business advantage for them
- accept a gift or hospitality from a third party if you know or suspect that it is offered or provided with an expectation that a business advantage will be provided by us in return
- retaliate against or threaten a person who has refused to commit a bribery offence or who has raised concerns under this policy
- engage in activity in breach of this policy

Facilitation payments

Facilitation payments are not tolerated and are illegal. Facilitation payments are unofficial payments made to public officials in order to secure or expedite actions. This, for example, includes customs officers.

Gifts and hospitality

This policy is not meant to change the requirements of our gifts and hospitality policy

This makes it clear that all offers of gifts and hospitality of a value of £25 or over should be registered whether they are accepted or not.

Public contracts and failure to prevent bribery

Under the Public Contracts Regulations 2006 (which gives effect to EU law in the UK), TDBC is automatically and perpetually debarred from competing for public contracts where it is convicted of a corruption offence. Organisations that are convicted of failing to prevent bribery are not automatically barred from participating in tenders for public contracts. TDBC has the discretion to exclude organisations convicted of this offence.

Your responsibility as a member or officer

The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those working for the organisation or under its control. All staff and members are required to avoid activity that breaches this policy.

You must:

- ensure that you read, understand and comply with this policy
- raise concerns as soon as possible if you believe or suspect that a conflict with this policy has occurred, or may occur in the future.

As well as the possibility of civil and criminal prosecution, staff and members that breach this policy will face disciplinary action, which could result in dismissal for gross misconduct.

Raising a concern

TDBC is committed to ensuring that all of us have a safe, reliable and confidential way of reporting any suspicious activity. We want each and every member of staff/member to know how they can raise concerns.

We all have a responsibility to help detect, prevent and report instances of bribery. If you have a concern regarding a suspected instance of bribery or corruption, please speak up – your information and assistance will help. The sooner you act, the sooner it can be resolved.

There are multiple channels to help you raise concerns. Please refer to the Whistleblowing Policy and determine your favoured course of action. Preferably the disclosure will be made and resolved internally (eg to your head of department/on line reporting/telephone hotline). Secondly, where internal disclosure proves inappropriate, concerns can be raised with the external auditor. Raising concerns in these ways may be more likely to be considered reasonable than making disclosures publicly (eg to the media).

Concerns can be anonymous. In the event that an incident of bribery, corruption, or wrong-doing is reported, TDBC will act as soon as possible to evaluate the situation. TDBC has clearly defined procedures for investigating fraud, misconduct and non-compliance issues and these will be followed in any investigation of this kind. This is easier and quicker if concerns raised are not anonymous.

Staff/members who refuse to accept or offer a bribe, or those who raise concerns or report wrong-doing can understandably be worried about the repercussions. TDBC aims to encourage openness and will support anyone who raises a genuine concern in good faith under this policy, even if they turn out to be mistaken.

TDBC is committed to ensuring nobody suffers detrimental treatment through refusing to take part in bribery or corruption, or because of reporting a concern in good faith.

Equality Impact Assessment – pro-forma

<table>
<tr><td>Responsible person</td><td colspan="2">Maggie Hammond</td><td>Job Title Strategic Finance Officer</td></tr>
<tr><td rowspan="4">Why are you completing the Equality Impact Assessment? (Please mark as appropriate)</td><td colspan="2">Proposed new policy or service</td><td>x</td></tr>
<tr><td colspan="2">Change to Policy or Service</td><td></td></tr>
<tr><td colspan="2">Budget/Financial decision – MTFP</td><td></td></tr>
<tr><td colspan="2">Part of timetable</td><td></td></tr>
<tr><td colspan="2">What are you completing the Equality Impact Assessment on (which policy, service, MTFP proposal)</td><td colspan="2">Anti-Bribery Policy</td></tr>
<tr><td colspan="4">Section One – Scope of the assessment</td></tr>
<tr><td>What are the main purposes/aims of the policy?</td><td colspan="3">To ensure that Taunton Deane Borough Council's meets its statutory obligations</td></tr>
<tr><td>Which protected groups are targeted by the policy?</td><td colspan="3">No one group is targeted by the policy. The policy is for all Council employees, councillors and gives clarity for any person or organisation likely to have dealings with the Council.</td></tr>
<tr><td>What evidence has been used in the assessment - data, engagement undertaken – please list each source that has been used

The information can be found on....</td><td colspan="3">The policy is not making proposals that will have a direct impact on any protected group so no further evidence has been sort.</td></tr>
<tr><td colspan="4">Section two – Conclusion drawn about the impact of service/policy/function/change on different groups highlighting negative impact, unequal outcomes or missed opportunities for promoting equality</td></tr>
<tr><td colspan="4"></td></tr>
</table>

I have concluded that there is/should be:

No major change - no adverse equality impact identified	x
Adjust the policy	
Continue with the policy	x
Stop and remove the policy	

Reasons and documentation to support conclusions

The engagement activity has shown that there will be no change in impact of the new debt management policy.

Section four – **Implementation –** timescale for implementation

September – Corporate Governance

September – Implement New Policy

Section Five – Sign off

Responsible officer Date	Management Team Date

Section six – Publication and monitoring

Published on

Next review date	Date logged on Covalent

26/09/2011, Report:Approval of Statement of Accounts 2010/2011
Reporting Officers:Paul Fitzgerald

26/09/2011, Report:Risk Management update
Reporting Officers:Dan Webb

26/09/2011, Report:Health and Safety update report
Reporting Officers:David Woodbury

26/09/2011, Report:Audit Commission - Annual Governance Report 2010/2011
Reporting Officers:Shirlene Adam

26/09/2011, Report:Internal Audit Plan - progress report
Reporting Officers:Chris Gunn

26/09/2011, Report:Anti-Bribery Policy
Reporting Officers:Maggie Hammond

12/12/2011, Report:Standards Committee - Review of 2010/2011
Reporting Officers:Anne Elder

12/12/2011, Report:Health and Safety update report
Reporting Officers:David Woodbury

12/12/2011, Report:Audit Commission - Annaul Audit Letter 2010/2011
Reporting Officers:Shirlene Adam

12/12/2011, Report:Internal Audit Plan - progress report
Reporting Officers:Chris Gunn

12/12/2011, Report:Corporate Governance Action Plan update
Reporting Officers:Dan Webb

12/12/2011, Report:Debt Recovery update
Reporting Officers:Paul Harding

12/12/2011, Report:Anti fraud and error policy
Reporting Officers:Heather Tiso

12/03/2012, Report:Risk Management update
Reporting Officers:Dan Webb