

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 22 September 2014 at 18:15.

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### Agenda

- 1 Apologies.
- 2 Minutes of the meeting of the Corporate Governance Committee held on 23 June 2014 (attached).
- 3 Public Question Time.
- 4 Declaration of Interests  
To receive declarations of Disposable Pecuniary Interests or personal or prejudicial interests, in accordance with the Code of Conduct. The usual declarations made at meetings of the Committee are shown on the attachment.
- 5 Update on Health and Safety Performance and Strategy for 2014-15. Report of the Health and Safety Officer (attached).  
Reporting Officer: Catrin Brown
- 6 External Audit 2013/2014 – Audit Findings Report. Report of the Assistant Director Resources (attached).  
Reporting Officer: Paul Fitzgerald
- 7 External Audit 2013/14 Certification Plan Report. Report of the Grant Thornton Engagement Lead (attached).  
Reporting Officer: Peter Barber
- 8 Internal Audit Plan 2014-15 Progress. Report of the Audit Manager (attached).  
Reporting Officer: Alistair Woodland
- 9 Approval of Statement of Accounts 2013/14 Report. Report of the Assistant Director of Resources (attached).  
Reporting Officer: Paul Fitzgerald
- 10 Risk Management Update. Report of the Corporate Strategy and Performance Manager (attached).  
Reporting Officer: Paul Harding

- 11 Corporate Counter Fraud Approach Update. Report of the Corporate Strategy and Performance Manager (attached).  
Reporting Officer: Paul Fitzgerald
- 12 Report on the Review of Standards Regime. Report of the Assistant Chief Executive and Monitoring Officer (attached).  
Reporting Officer: Bruce Lang
- 13 Report on the Review of Petitions Scheme. Report of the Assistant Chief Executive and Monitoring Officer (attached).  
Reporting Officer: Bruce Lang
- 14 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)

Bruce Lang  
Assistant Chief Executive

09 December 2014

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.

Except at meetings of Full Council, where public participation will be restricted to Public Question Time only, 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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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 the Corporate Support Unit on 01823 356414 or email [r.bryant@tauntondeane.gov.uk](mailto:r.bryant@tauntondeane.gov.uk)**

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## **Corporate Governance Committee Members:-**

Councillor D Reed (Chairman)  
Councillor S Coles (Vice-Chairman)  
Councillor A Beaven  
Councillor B Denington  
Councillor E Gaines  
Councillor A Govier  
Councillor T Hall  
Councillor J Horsley  
Councillor J Hunt  
Councillor S Lees  
Councillor Miss F Smith  
Councillor P Smith  
Councillor V Stock-Williams  
Councillor Mrs E Waymouth  
Councillor A Wedderkopp

## Corporate Governance Committee – 23 June 2014

Present: Councillor D Reed (Chairman)  
Councillor Coles (Vice-Chairman)  
Councillors Mrs Allgrove, Beaven, Hall, Hunt, Morrell, Mrs Lees,  
Miss Smith, P Smith, Mrs Stock-Williams, Mrs Waymouth and  
A Wedderkopp.

Officers: Catrin Brown (Senior Environmental Health Officer – Health and Safety),  
Paul Fitzgerald (Assistant Director - Resources), Jo Nacey (Finance  
Manager), Dan Webb (Performance Lead), Paul Harding (Corporate and  
Client Lead), Richard Sealy (Assistant Director - Corporate Services) and  
Emma Hill (Corporate Support Officer).

Also Present: Councillor Mrs Warmington  
Alastair Woodland (South West Audit Partnership)

(The meeting commenced at 6.15 pm)

### 27. Apologies/Substitutions

Apologies: Councillors Gaines and A Govier.

Substitution: Councillor Morrell for Councillor Gaines

### 28. Minutes

The minutes of the meeting held on 19 May 2014 were taken as read and were signed.

### 29. Declaration of Interests

Councillors Coles, Hunt and A Wedderkopp declared personal interests as Members of Somerset County Council. Councillor A Wedderkopp declared a personal interest as a Member of Wessex Water's Environmental Panel

### 30. Update on Health and Safety Performance and Strategy for 2014-2015

Considered report previously circulated, which provided an update on the progress of a range of Health and Safety matters across the organisation.

Below was a summary of topics which included:-

- Accident and Incident data for the last complete financial year was as follows:-

<b>TDBC Totals – 1 April 2013 – 31 March 2014</b>					
Classification	Core Council	DLO	Crematorium	Public	Contractors
Reportable		<b>3</b>		<b>1</b>	
Non-reportable	<b>5</b>	<b>26</b>		<b>3</b>	
Near Miss	<b>1</b>	<b>4</b>			
<b>Period total</b>	<b>6</b>	<b>33</b>	<b>0</b>	<b>4</b>	

- There had been no significant accidents during the last three month period. However there was an increase in the number of accidents reported – 10 in 2014-2015, compared with three during the same period last year.
- A number of clarifications were submitted in connection with the proposed Health and Safety Strategy 2014-2015. It was proposed that the Strategy should now be adopted.
- Monitoring Health and Safety Performance – This was the first time KPI (Key Performance Indicators) had been set for the Health and Safety service.
- The South West Audit Partnership (SWAP) Audit had published their draft report on the Council's Health and Safety for discussion purposes. No overall opinion had been given as the Strategy needed to be embedded before meaningful assessment of it could be made.
- The Council's Health and Safety Committee had met on 24 April 2014 at which the accidents for the previous year and reporting procedures had been reviewed.
- The Council's Sharepoint site had been updated to allow employee access to the Display Screen Equipment (DSE) assessment process.
- The reviewed and updated Accident Book, reporting and investigation policy was now in place. The Health and Safety Advisor would be attending team meetings to inform Managers of the updated process.
- An audit had been carried out of the Voids Team within the DLO which had highlighted a number of points which would be relevant to many departments. These corporate matters would be progressed and monitored in the future.
- Health surveillance for at risk Deane DLO employees had been progressed with HR and Devon County Council as a service provider.

During the discussion of this item, Members made comments and statements and asked questions which included: - (Responses are shown in italics)

- Did the Council normally only respond to an accident after it had occurred or did the Council train its Managers to try and avoid accidents happening? *The Health and Safety Officer provided training to Managers when they started as well as attending team meetings to provide additional advice, training and support.*
- Looking at the pie charts within the report, there appeared to have been a high levels of slips, trips and falls as well as manual handling incidents. What were the Council doing to reduce these figures? *Not all the incidents reported were preventable but Deane DLO routinely completed training and refresher courses for Health and Safety and manual handling.*
- It was suggested that the Council should investigate the appropriateness of the work boot soles in relation to the surfaces Deane DLO staff worked on and whether this contributed or affected the number of incidents reported?

**Resolved that:-**

1. The report be noted;

2. The Health and Safety Strategy presented to the Committee on 10 March 2014 be adopted; and
3. The progress made on the implementation of the Health and Safety Strategy and the initiatives to improve our operating culture, be noted.

### **31. Approach to Corporate Fraud**

The Assistant Director - Resources updated Members regarding the Council's approach to Corporate Fraud. The following summarised the current situation:-

- Officers were working through and building a Business Case, looking at the best approach to tackling Corporate Fraud in both Taunton Deane Borough and West Somerset Councils.
- The Business Case was in its early stages, and the Council was investigating the possible outsource of this service or partnership working. The Council was talking with SWAP about engaging these services for us.
- Central Government had stated that Local Authorities were likely to receive some financial support towards the costs of tackling Corporate Fraud. Although, the Council did not know how we would receive it or whether we would have to apply for it.
- Currently, the majority of the Council's resources go on tackling benefit fraud but the Government was looking to nationalise this service in the future and this would be run by the Department for Work and Pensions as a new service.
- This new nationalised service included the Council transferring staff and funds to the DWP for this new service.

The next steps for the Council was to work with West Somerset, SWAP and other partners to build a business case for a Corporate Fraud service.

During the discussion of this item, Members made comments and statements and asked questions which included: - (Responses are shown in italics)

- What was the timescale surrounding receiving a report about this? *Hopefully, this would be submitted in September.*
- Did West Somerset Council (WSC) use the same software as Taunton Deane? *Currently the Councils were using two different softwares and systems although, there were some areas of similarity with data matching.*
- Some examples of Corporate Fraud were Fake C.V. information, gaining a Blue Badge when not entitled to one, collusion with contractors for personal gains and sub-letting a property. *The Assistant Director of Resources was the responsible officer for investigations and preventing fraud in a variety of areas across both Councils.*
- What were the HR implications for staff transferring to the Department of Work and Pensions' national service? *Staff had been made aware if they were affected by the changes. The transfer of staff between Government organisations did not fall under TUPE but contract conditions were being discussed.*

- In relation to staff spending time at both WSC and Taunton Deane, were appropriate cost sharing for teams being looked into? *The Council was working on the cost sharing for officer time.*

**Resolved** that the report be noted.

### **32. Significant Changes to the Accounting Requirements for the 2013/2014 Accounts**

Considered report previously circulated, concerning significant changes which were applicable to the Statement of Accounts 2013/2014 and the associated disclosures and restatements which had resulted.

Each year the Code of Practice on Local Authority Accounting was updated by a technical panel from the Chartered Institute of Public Finance and Accountancy (CIPFA) and communicated to authorities via publications and when necessary, workshops.

This year there had been two significant changes to the Code, which were:-

**1. Accounting for Pension Interest Costs in Relation to Current Service Cost and Pension Administration Costs** - The accounting standard IAS 19 – Employee Benefits had changed and because the change was reflected in various parts of the accounts it had been necessary to restate last year's figures to provide suitable comparatives. These were only presentational changes to meet the requirements of the Code. The "bottom line" had stayed the same. Full details of the change including the interest costs in relation to current service costs were set out in the report.

**2. Non Domestic Rates – Provision for Appeals against the Rateable Value of Business Properties** - The Local Government Finance Act 2012 had introduced a Business Rates Retention Scheme that enabled local authorities to retain a proportion of the Business Rates generated in their area. The new arrangements for the retention of business rates came into effect on 1 April 2013.

The change had meant that billing authorities had to make a new provision for refunding ratepayers who had successfully appealed against the rateable value of their properties on the rating list. This would include amounts relating to non-domestic rates charged to businesses in 2012-2013 and earlier financial years.

After much deliberation and robust challenge the Council had included a provision of £1,979,731 in 2013/2014 as an estimated cost of outstanding appeals and refunds. This was a high risk estimate and fluctuations would impact directly on the "bottom line". In future years this provision would be determined by the financial effect of appeals submitted.

During the discussion of this item, Members made comments and statements and asked questions which included: - (Responses are shown in italics)



- How long would it take to get through the provision? *This was monitored on a monthly basis. The Valuation Office had been tasked to clear the back log by the middle of next year. There were 328,000 appeals dating back to 2005.*
- Had the Council been able to complete the benchmarking and was the provision adequate? *The percentage had been calculated using the Principal Revenues Office data and the Council had contacted other authorities as well. The Council was confident with the adequacy of the provision.*
- *It was confirmed that the Director of Operations and the Assistant Director of Resources would oversee this matter and the Director would be responsible for sign off. Grant Thornton would complete any appropriate audits. There were a lot of people involved in this process and a lot of data sharing had been completed. A quality assurance review was also being undertaken.*

**Resolved that:-**

- (a) The report be noted; and
- (b) The changes, which would be reflected in the accounts for 2013/2014, be also noted.

### **33. Draft Annual Governance Statement 2013/2014**

Considered report previously circulated, concerning the draft Annual Governance Statement (AGS) for Taunton Deane Borough Council before it was signed by the Leader of the Council and the Chief Executive.

Taunton Deane Borough Council had a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions were exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Council was 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.

The Annual Governance Statement explains how Taunton Deane Borough Council had 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 2011 in relation to the requirement to prepare an annual governance statement which must accompany the Statement of Accounts.

The Corporate Performance Lead had led the 2013/14 review of the governance framework, supported by the Monitoring Officer (Assistant Chief Executive), the Deputy s151 Officer (Assistant Director – Resources), the Audit Manager, and other members of the Joint Management Team (JMT).

The draft Annual Governance Statement was included as an appendix to this report.

The conclusions from this review was that overall, the council's governance framework is robust and working effectively. This was further endorsed by the Group Auditor's annual opinion report 2013/14, which offers 'reasonable assurance' in respect of the areas reviewed during the year.

The Annual Governance Statement (AGS) described how the council complied with each of the six core principles of the Code of Corporate Governance, and additionally communicates significant governance issues and the steps that remain to be taken during 2014/15 to address these matters.

During the discussion of this item, Members made comments and statements and asked questions included: - (Responses are shown in italics)

- Were minutes taken at the Chief Executive and Leaders meetings?  
*A response to this question would be provided to Members.*
- Many Members did not have Member Development Plans. This needed to be addressed, otherwise it should not be a Core Council principle.
- Core Council principal should be worded tighter and finer, rather than so wordy.
- The statement about shared services between the two Councils had no real meaning behind it. Was the document trying to do too much?
- What was the document's purpose and when would it end up coming back to the Committee? It needed to read clearer. *The Council would be re-visiting this document next year and the officers could make the amendments and circulate via email.*
- It was suggested that this item was brought to the Committee earlier in the year to allow Members to review it before it came back for sign off.

**Resolved** that:-

- (1) The report be noted; and
- (2) The draft Annual Governance Statement be approved and signed off by the Leade of the Council and the Chief Executive.

### **34. Corporate Governance Action Plan**

Considered report previously circulated, which provided details of the progress made against the Corporate Governance Action Plan as at the end of May 2014.

At the previous review point (December 2013) the Corporate Governance Action Plan had included eight 'open' actions. This included three actions carried over from previous years plus five new external audit recommendations (Grant Thornton audit findings 2012/2013).

The latest review process (April-May 2014) had revealed:-

- Four of these actions were now considered 'closed'; and

- Of the remaining four 'open' actions, two were 'Green' (on track), and two were 'Amber' (some concern).

Noted that the four recommendations that had been closed since December 2013 were:-

- a) To fully review the Financial Regulations;
- b) Reviewing the method for calculating the bad debt provision for housing debts;
- c) Working with Somerset County Council, Avon and Somerset Police and Southwest One to address the recommendations from the review of IT controls; and
- d) Ensuring that expense claims and supporting receipts were kept in accordance with the Council's Record Retention Policy.

During the discussion of this item, Members made comments and statements and asked questions included: - (Responses are shown in italics)

- Looking at the reduction in staff sickness, how did the Council accomplish this? When the Council reached the target, would it be removed from the list? *The target for keeping staff sickness low would most likely not be removed. Our benchmark figures were based on national averages, which the Council was closer too. All managers had been trained on how to deal with staff absences. Staff had been made aware that help was available through CareFirst but it was still a key area for the Council.*
- What audits were coming up so that Members knew what to expect? If the JMASS project had superseded this, should it not be closed? *It was shown as an amber despite being superseded by the JMASS project but this was a continuing process. The External Audit Plan had been presented to the Committee at the May meeting.*
- Value for Money recommendations were made in 2011/2012 but work did not start until 18 months later. Could a copy of the data and results presented be made available to Members? *Yes.*

**Resolved** that the officer's report be scrutinised and noted.

### **35. Internal Audit Plan 2013-2014 Annual Report and 2014-2015 Quarter 1 Progress**

Considered report previously circulated, concerning the outturn position of the Internal Audit Plan for 2013-2014 and significant findings and recommendations that had been made since the last meeting of the Committee. A brief update on progress of the 2014-2015 Audit Plan was also provided.

This report summarised the work of the Council's Internal Audit Service and provided:-

- Details of any new significant weaknesses identified during internal audit work completed since March 2014; and
- A schedule of audits completed during the period, detailing their respective assurance opinion rating, the number of recommendations and the respective priority rankings of these.

Noted that there were some high priority recommendations (4 or 5) identified since the March update. These would be followed-up by Internal Audit to provide assurance that risk exposure had been reduced.

During the discussion of this item, Members made comments and statements and asked questions included: - (Responses are shown in italics)

- Could a copy of the report undertaken in respect of Project Taunton be made available to Members? *Yes.*
- With regard to Gas Service Inspections, the Council had not been meeting the appropriate timescales. *Since the review/audit, measures had been taken and the corporate risk had been migrated. Contractors had been made aware of their obligations.*
- Referring to the introduction of measures to prevent Corporate Fraud, why had this not been started? *This was due to commence within the next couple weeks.*

**Resolved** that the report be noted.

### **36. Review of Effectiveness of Internal Audit**

Considered report previously circulated, concerning the findings of the recent review of the effectiveness of internal audit carried out by Director of Operations. The review found the service to continue to operate at a “satisfactory” level.

Internal audit formed a part of the corporate governance and internal control framework that provided accountability to stakeholders on all areas of the Council Plan. Their opinion on the adequacy and effectiveness of the Council’s internal control framework formed a part of the evidence used in preparing the corporate Annual Governance Statement (AGS) for 2013-14, which would be published as part of the Council’s Statement of Accounts in September 2014.

Reported that the 2006 CIPFA Code of Practice for Internal Audit had been superseded by the Public Sector Internal Audit Standards (PSIAS) and a Local Government Application Note on the 1 April 2013 that set out how an internal audit function should be fulfilled. The new Standards covered:-

- Purpose, authority, and responsibility;
- Independence and objectivity;
- Proficiency and due professional care;
- Quality Assurance and Improvement Programme;
- Managing the Internal Audit Activity;
- Nature of Work;
- Engagement Planning;

- Performing the Engagement;
- Communicating Results; and
- Monitoring Progress.

All aspects of the Standards would be covered by the South West Audit Partnership (SWAP), through the previously approved Audit Charter, and reviewed and approved by the Audit Committee on an annual basis.

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 well and that this view was supported by the comments of external auditors and client satisfaction. Details were provided which showed some of the overall performance of the service during the year compared to the previous three years.

The number of audit projects undertaken within the days available had declined slightly from the previous year from 39 to 37.

There were no new high priority recommendations in 2013/2014.

The outturn position showed that each year the partnership continued to make a surplus from operations. This would give some room for reinvestment in the business which was managed via the Board of Directors for SWAP.

As SWAP was now a company limited by guarantee the Directors of the company would be required to act in the interests of the company. Noted that the Section 151 Officer still had access to the SWAP Management Team to influence service delivery and priorities from a customer's perspective.

In assessing SWAP's performance it was seen as important to review the standards of service and that each authority was afforded the same standards and also senior officer time. The report outlined the minimum standards to be introduced and whether they would have been delivered for Taunton Deane had they been in place.

Further reported details of progress that had been made in respect of the 2013/2014 Action Plan. The following comprised the Action Plan for 2014/2015:-

- To improve the information flows between the SWAP MKI System and the Council, to reduce the manual intervention currently required to maintain up to date records of audit recommendations;
- To further develop the audit universe work started during 2013/2014 with the Section 151 Officer and team – creating a database of knowledge to be used to manage risk across the Council;
- To look for further efficiencies in delivering audit work across Taunton Deane and West Somerset to benefit both Councils;
- To improve on the current 2013/2014 delivery times with regard to moving from draft to final audit reports; and
- To work with the Council on improving the reporting of key audit information to the Audit Committee.

It was the opinion of the Section 151 Officer that the system of internal audit was effective.

**Resolved** that the findings of the review of the effectiveness of Internal Audit for 2013/2014 be noted.

**37. Corporate Governance Committee Forward Plan**

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

It was requested that the Annual Governance Statement be moved back to May rather than in June.

**Resolved** that the Corporate Governance Committee Forward Plan be noted.

(The meeting ended at 8.18pm).

# **Declaration of Interests**

## **Corporate Governance Committee**

- Members of Somerset County Council – Councillors Coles, A Govier, Hunt and A Wedderkopp
- Member of Wessex Water’s Environmental Panel – Councillor A Wedderkopp

# Taunton Deane Borough Council

## Corporate Governance Committee – 22<sup>nd</sup> September 2014

### Update on Health and Safety Performance and strategy for 2014 - 15.

#### Report of the Corporate Health and Safety Advisor

(This matter is the responsibility of the Chief Executive and Leader of the Council.)

#### 1. Executive Summary

This report provides an update on the progress of a range of Health and Safety matters across the organisation. These include:

- Accident and Incident Data for the period
- Monitoring Health and Safety Performance
- The South West Audit Partnership Audit on health and safety
- Report on actions agreed by Health and Safety Committee
- Provision of health and safety information
- Policy updates
- Key activities of the Health and Safety Advisor

#### 2. Accident and Incident Data for the period

Figures provided. Last years figures listed below for comparison.

Due to the change in structure of the organisation the existing categories no longer appropriately described the accident information being provided. There had been only one contractor accident in the last five years and therefore a decision was made to remove this category. In addition there were no categories to record where tenants had had accidents in communal areas. WSC accidents also needed to be recorded separately.

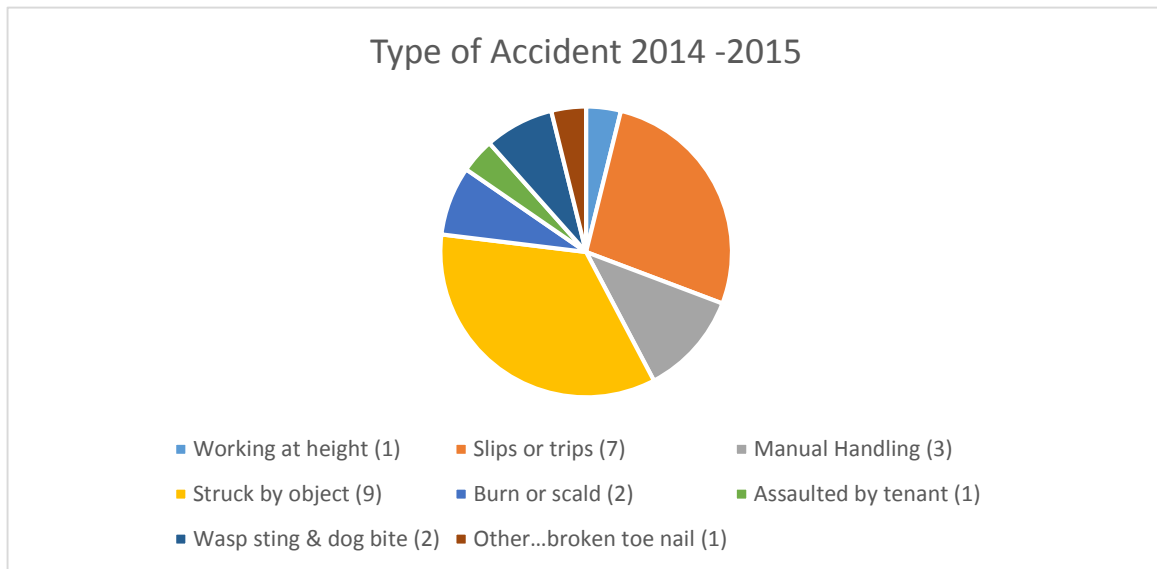
<b>TDBC Accident Totals 1st April 2013 - 31st March 2014</b>					
Classification	Core Council	DLO	Crematorium	Public	Contractors
Reportable		3		1	
Non-reportable	5	26		3	
Near Miss	1	4			
Period Total	<b>6</b>	<b>33</b>	<b>0</b>	<b>4</b>	<b>0</b>



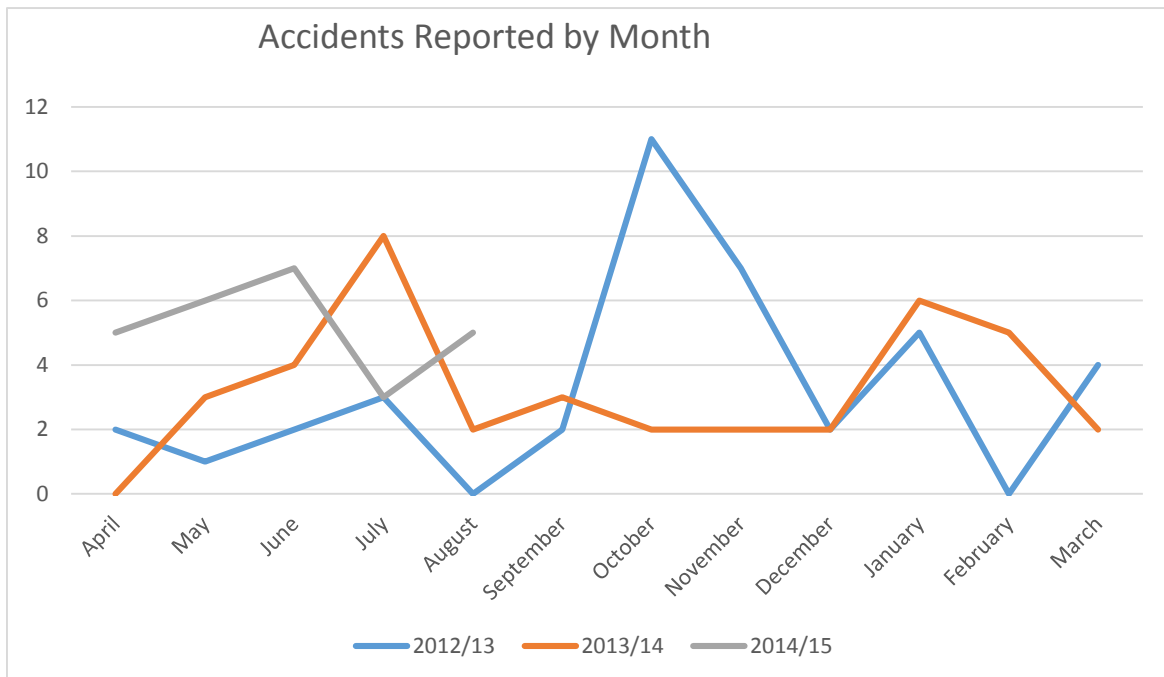
### TDBC Accident Totals 1st April 2014 - 31st May 2014

Classification	TDBC	WSC	DLO & Crematorium	Public	Tenants (public areas)
Reportable					
Non-reportable	4	1	16	3	2
Near Miss			1		
<b>Period Total</b>	<b>4</b>	<b>1</b>	<b>17</b>	<b>3</b>	<b>2</b>

#### Accidents by type



#### Accidents by month



**2.1 Accident Investigations**

There have been no significant accident investigations undertaken since the last Corporate Governance committee.

Where an individual incident requires it, or where a trend has been identified including a number of similar incidents, an investigation form is sent to the Manager for completion. New safety goggles were purchased as a result of one such investigation and working practices changed as a result of another.

**3. Monitoring Health and Safety Performance**

Monitoring of health and safety performance against the key performance indicators set out in the strategy has been carried out since 1 April 2014.

**KPIs Monitored from 1 April 2014**

- 1. Target to increase accident reporting by 10%**  
(26 accidents to date 2014 -15, 17 accidents in same period 2013 -14 = 53% increase)
- 2. Target to carry out accident investigation within 2 weeks**  
Investigation average 4 days
- 3. Target to carry out 5 audits per quarter**  
3 audits carried out to date (2 in qtr1, 1 in qtr 2)
- 4. To ensure 100% of audit reports completed within 2 weeks**  
100% completed to date

1	G
2	G
3	R
4	G

As set out in the last report, KPI 3 would appear to be unrealistic due to the level of detail required for the audit to be worthwhile and the starting point of highest risk areas of being subject to audit first. Follow up work from the audits in quarter 1 is ongoing. In addition, work on the familiarisation training for Tier 4/5 Managers and requests for assistance from Supported Housing and work on asbestos management (see Activity Report) has also impacted upon the number of audits that have been undertaken this quarter.

**4. SWAP Audit on Health and Safety**

Progress has been made on the recommendations set out in the audit report with work being done to raise the profile of the service.

Training on health and safety has been undertaken for all newly appointed Tier 4/5 Managers as part of the familiarisation sessions. Health and safety updates for team meetings are starting in mid-September and a general update will be provided using the One Team Newsletter.

## **5. The arrangements for the Health and Safety Committee and agreed actions**

The H&S Committee met on 17th July 2014. Colleagues from WSC Safety Group also attended and as agreed the committee will now cover H&S activities for TDBC and WSC.

The next Priory Depot health and safety committee is to take place on 9 October and an inspection walk around will be undertaken first with matters highlighted discussed. The next TDBC & WSC joint Unison H&S Committee is to take place on 23<sup>rd</sup> October at West Somerset House, Williton.

All policies continue to be circulated to the Health and Safety Committee prior to implementation.

## **6. Provision of Health and Safety Information**

Regular Corporate H&S inductions are now being carried out for all new starters and employees who have transferred to TDBC from WSC. All managers received training on the key priorities for health and safety, dynamic risk assessment and accident and incident reporting.

A "Health and Safety Guide for Managers" has been produced and has been made available to all employees via the H&S intranet site at TDBC and via a shared drive at WSC.

A package of tool box talks for managers with specific information on hazards ranging from asbestos to electrics is almost complete. The information is provided in a format that can be used by Deane DLO Managers as a brief update during a team briefing.

## **7. Policy updates**

Following on from the JMASS project the Health and Safety Policy for the organisation will be reviewed in the next quarter.

The lone working policy will also be updated in the next quarter with arrangements being made to extend the Deane Helpline lone worker service to all lone workers across the organisation.

## **8. Key activities of the Health and Safety Advisor**

Work has been carried out on WSC accident and near miss reporting arrangements.

A request for H&S assistance has been received from Supported housing. An inspection of a meeting hall has been carried out, advice relating to lone working arrangements, fire risk assessment and an audit of the Extra Care schemes is to take place imminently.

An audit of the Arboriculture team and observations of work on site has been carried out.

An inspection of housekeeping arrangements in the Deane House was also completed with the Unison Safety Officer.

Following on from asbestos management concerns raised at the last Priory Depot H&S committee a follow up asbestos survey has been carried out with TDBC's asbestos surveyor and remedial actions carried out and are subject to regular monitoring. Advice has also been given on reactive asbestos arrangements in Environmental Health.

A programme of awareness training for all employees who visit sites where asbestos containing materials may be encountered is to be completed in September 2014.

## **9. Finance Comments**

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

## **10. Legal Comments**

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

## **11. Links to Corporate Aims**

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

## **12. Environmental Implications**

There are no environmental implications arising from this report.

## **13. Community Safety Implications**

There are no community safety implications arising from this report.

## **14. Equalities Impact**

There are no equalities impacts over and above those already required to be identified in the Theme delivery plans and existing arrangements.

## **15. Risk Management**

Failure to meet minimum health and safety statutory requirements has been identified in the Corporate Risk Register. There are no significant risks or incidents to report.

## **16. Partnership Implications**

The Health and Safety Strategy sets out the majority of the work programme for delivery by the Corporate Health and Safety Team.

The strategy continues to involve the expertise of SWAP, reducing resource requirements and delivering an integrated approach.

## **17. Recommendations**

The Committee are asked to note the progress made on the implementation of the Health and Safety strategy and its delivery and the initiatives to improve our operating culture.

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# Taunton Deane Borough Council

## Corporate Governance – 22 September 2014

### External Audit 2013/2014 – Audit Findings Report

#### Report of the Assistant Director Resources

This matter is the responsibility of the Leader of the Council, Cllr John Williams

#### 1 Executive Summary

This short covering report introduces the annual report of our external auditor Grant Thornton outlining their findings from their audit of our Statement of Accounts, and our arrangements to secure Value for Money. This also incorporates a review of our financial resilience as a council.

I am pleased to report that their detailed audit work has concluded in an “unqualified” opinion on our accounts for 2013/14, and an “unqualified VFM conclusion” in respect of value for money.

#### 2 Background

- 2.1 The Statement of Accounts 2013/14 was signed off by the Council’s s151 Officer in June 2014 – within the statutory deadline, and before the start of the external audit review.
- 2.2 The external audit review has significantly progressed and the auditor has indicated their intention to issue an “unqualified opinion” for the Statement of Accounts - a clean bill of health (but please note 5.5 below).
- 2.3 In previous years the auditor has issued a separate Financial Resilience Report, including a conclusion in respect of the council’s arrangements to secure value for money (VFM). This year this part of the auditor’s assessment has been included within the Audit Findings Report, providing a consolidated view.
- 2.4 The auditor has also provided an “unqualified value for money conclusion”, meaning our arrangements to secure economy, efficiency and effectiveness in our use of resources are sound (but please note 2.5 below).
- 2.5 However it should be noted that Grant Thornton are finalising a few areas of their work which will be completed by the date of the

committee – as noted in their attached report. Should there be any significant matters identified following the publication of this report an update will be provided at the Committee meeting.

### **3 Key Issues Emerging From The Audit**

- 3.1 In respect of the Statement of Accounts there are one or two issues that have been brought to my attention during the audit process, but nothing of significance. A small number of changes have been made to the final audited Statement of Accounts for 2013/14, although none of these affect the financial position of the council. These are essentially presentational corrections, and are set out in the auditor's report.
- 3.2 The audit process has again run smoothly, largely due to the excellent preparation work done by our Finance Team. This is a particularly good achievement when recognising staff changes during the year, and that the entire 'technical team' within finance has been filled with high quality temporary staff. In particular I would like to thank Jo Nacey and Steve Meers for their work to ensure the accounts have been well-prepared and the support provided to the auditors during their review. The whole team has worked hard to ensure improvements in the year end process have been maintained even with a number of staff changes in the team.
- 3.3 In respect of value for money and our financial resilience there some issues flagged as "amber" – meaning potential areas of risk – in the report that we need to continue to focus on moving forward. None of these matters are a surprise and we have plans in place to progress where appropriate.
- 3.4 The findings reflect the robust planning systems in place at the Council, and the progress made to date in addressing the financial challenges we face together with the rest of the public sector. Members should however note the significant challenges ahead and ensure they remain committed to the approach to budget setting outlined in the report to Corporate Scrutiny in September 2014.

### **4 Next Steps**

- 4.1 Members of Corporate Governance Committee will, later in the agenda, be asked to formally approve the Council's Statement of Accounts of 2013/14.

### **5 Legal Comments**

- 5.1 There are no legal implications from this report.

### **6 Links to Corporate Aims**

- 6.1 No direct implications.



## **7 Environmental and Community Safety Implications**

7.1 None.

## **8 Equalities Impact**

8.1 None.

## **9 Risk Management**

9.1 The issues flagged in the action plan will be reviewed and if appropriate, entered in service, corporate or project risk registers and/or improvement plans.

## **10 Partnership Implications**

10.1 None.

## **11 Recommendation**

11.1 Members are requested to note the report from our external auditors on the Council's Statement of Accounts and arrangements to secure financial resilience, and to support the action plan in the report (agreed by the s151 Officer).

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# The Audit Findings for Taunton Deane Borough Council

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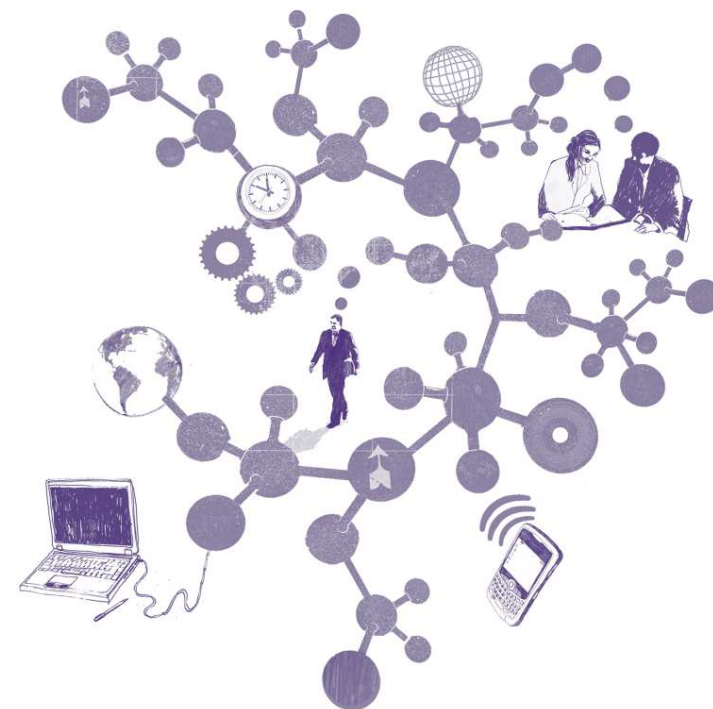
**Year ended 31 March 2014**

12 September 2014

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Section 1: Executive summary

**01. Executive summary**

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

# Executive summary

## Purpose of this report

This report highlights the key matters arising from our audit of Taunton Deane Borough Council's ('the Council') financial statements for the year ended 31 March 2014. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

## Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 19 May 2014.

Our audit is substantially complete although we are finalising our work in the following areas:

- complete final testing and review of a number of areas such as operating expenses, property, plant and equipment and national non-domestic rates;
- receipt of final Barclays debt confirmation;
- review of the final version of the financial statements;
- obtaining and reviewing the final management letter of representation;
- review of final version of the Annual Governance Statement;

- updating our post balance sheet events review, to the date of signing the opinion;
- receipt of letter of assurance from the auditor of the Pension scheme; and
- Whole of Government Accounts.

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

## Key issues arising from our audit

### Financial statements opinion

We anticipate providing an unqualified opinion on the financial statements.

We have identified no material errors in the draft accounts presented for audit.

We have identified two adjustments affecting the Council's reported financial position (details are recorded in section 2 of this report). The draft financial statements recorded net expenditure of -£12.7 million; the audited financial statements show net expenditure of -£12.9 million. We have also identified a number of adjustments to improve the presentation of the financial statements.

The key messages arising from our audit of the Council's financial statements are:

- the accounts were produced to a good standard and there have been no material errors; and
- we have received prompt responses to our audit queries.

Further details are set out in section 2 of this report.

### **Value for Money conclusion**

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion.

Further detail of our work on Value for Money is set out in section 3 of this report.

### **Whole of Government Accounts (WGA)**

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

### **Controls**

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Our work has not identified any control weaknesses which we wish to highlight for your attention.

Further details are provided within section 2 of this report.

### **The way forward**

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Director - Operations.

We have made a number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Director – Operations and the finance team.

### **Acknowledgment**

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

**Grant Thornton UK LLP**  
**September 2014**

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## Section 2: Audit findings

01. Executive summary

**02. Audit findings**

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters



# Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Corporate Governance Committee on 19 May 2014. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

## **Changes to Audit Plan**

We have not made any changes to our Audit Plan as previously communicated to you on 19 May 2014.

## **Audit opinion**

We anticipate that we will provide the Council with an unmodified opinion. Our audit opinion is set out in Appendix B.

# Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p><b>Improper revenue recognition</b></p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<ul style="list-style-type: none"> <li>• review and testing of revenue recognition policies</li> <li>• testing of material revenue streams</li> </ul>	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p><b>Management override of controls</b></p> <p>Under ISA 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> <li>• review of accounting estimates, judgements and decisions made by management</li> <li>• testing of journal entries</li> <li>• review of unusual significant transactions</li> </ul>	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

# Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.


Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p><b>Operating expenses</b></p>	<p>Creditors understated or not recorded in the correct period</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• Walkthrough and tests of design and operation of controls</li> <li>• Testing of operating expenditure and yearend adjustments / reconciliations</li> <li>• Review and testing of creditors / liability balances of unusual and large amounts</li> <li>• Review of unrecorded liabilities and after date payments to ensure all liabilities identified</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
<p><b>Employee remuneration</b></p>	<p>Employee remuneration accrual understated</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• Walkthrough and tests of design and operation of controls</li> <li>• Testing of payroll payments to underlying evidence</li> <li>• Agreement of payroll accruals to schedules and underlying evidence</li> <li>• Review of senior officers pay disclosures and agreement to underlying evidence</li> <li>• Analytical procedures over the payroll figures throughout the year to ensure that it is reasonable and complete</li> <li>• Reconciliation of the payroll system figures to the general ledger figures</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

## Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Welfare expenditure</b>	Welfare benefit expenditure improperly computed	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> <li>• Walkthrough and tests of design and operation of controls</li> <li>• Testing a sample of benefit claims to ensure they were eligible and had been calculated correctly</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.
<b>Housing Rent Revenue Account</b>	Revenue transactions not recorded	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> <li>• Walkthrough and tests of design and operation of controls</li> <li>• Determine reasonableness of the total rent debit</li> <li>• Test reconciliations to rent accounts to the total properties</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.
<b>Property, plant &amp; equipment</b>	PPE activity not valid	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> <li>• Walkthrough and tests of design and operation of controls</li> <li>• Recalculation of depreciation</li> <li>• Testing of a sample of additions and disposals</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.
<b>Property, plant &amp; equipment</b>	Revaluation measurement not correct	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> <li>• Walkthrough and tests of design and operation of controls</li> <li>• Determine reasonableness of revaluation figures</li> <li>• Compare Valuer's report to Fixed Asset Register</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.

# Accounting policies, estimates & judgements




In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<p><b>Revenue recognition</b></p>	<p>Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> </ul>	<p>We have reviewed the Council's recognition of revenue and found that:</p> <ul style="list-style-type: none"> <li>• Appropriate policies had been used;</li> <li>• Accounting policies had been adequately disclosed;</li> <li>• Revenue had been appropriately recognised; and</li> <li>• The policies are in accordance with proper practices as set out in the CIPFA/ LASAAC Code of Practice.</li> </ul>	<p style="text-align: center;">   <b>Green</b> </p>

**Assessment**

- Red – Marginal accounting policy which could potentially attract attention from regulators
- Amber – Accounting policy appropriate but scope for improved disclosure
- Green – Accounting policy appropriate and disclosures sufficient

# Accounting policies, estimates & judgements (continued)

Accounting area	Summary of policy	Comments	Assessment
<p><b>Judgements and estimates</b></p>	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> <li>• useful life of property, plant and equipment;</li> <li>• pension fund valuations and settlements;</li> <li>• revaluations and impairments;</li> <li>• provisions; and</li> <li>• accruals.</li> </ul>	<p>We have reviewed the accounting areas where the Council has exercised judgement and used estimates. We found that:</p> <ul style="list-style-type: none"> <li>• Appropriate policies had been used;</li> <li>• Accounting policies had been adequately disclosed; and</li> <li>• Areas where judgement had been used were supported by the work of an expert or a third party.</li> </ul>	<p style="text-align: center;"> <b>Green</b></p>
<p><b>Judgements and estimates – PPE</b></p>	<p>Page 63 of the accounts sets out the authority’s rolling programme of revaluations. This shows that the date of valuations vary between 31 March 2008 and 31 March 2014. This approach is similar to many other authorities and we are satisfied that the carrying amount of Property, Plant and Equipment (based on these valuations) does not differ materially from the fair value at 31 March 2014. In our view, however, this rolling programme does not meet the Code’s requirement in paragraph 4.1.2.35 to value items within a class of property, plant and equipment simultaneously.</p> <p>This paragraph of the Code, which is based on IAS 16 Property, Plant and Equipment, does permit a class of assets to be revalued on a rolling basis provided that:</p> <ul style="list-style-type: none"> <li>• the revaluation of the class of assets is completed within a 'short period'</li> <li>• The revaluations are kept up to date</li> </ul>	<p>In our view, however, we would normally expect this 'short period' to be within a single financial year. This is because the purpose of simultaneous valuations is to 'avoid reporting a mixture of costs and values as at different dates'. This purpose is not met where a revaluation programme for a class of assets straddles more than one financial year.</p> <p>An example of non-compliance is the Offices. Taunton Deane have five assets classified as Offices in the Fixed Asset register, but only three of those have been revalued in 2013/14.</p>	<p style="text-align: center;"> <b>Amber</b></p>
<p><b>Other accounting policies</b></p>	<p>We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.</p>	<p>Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.</p>	<p style="text-align: center;"> <b>Green</b></p>

**Assessment**

- Red – Marginal accounting policy which could potentially attract attention from regulators
- Green – Accounting policy appropriate and disclosures sufficient
- Amber – Accounting policy appropriate but scope for improved disclosure

# Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

## Impact of adjusted misstatements

All adjusted misstatements are set out below along with the impact on the primary statements and the reported financial position.

Detail	Comprehensive Income and Expenditure £'000	Net Assets £'000	Impact on Total Reserves £000
1 Some disposals of property, plant and equipment had not been appropriately reflected in the accounts. A previous working paper was used to put together the accounts, and so the figures included were not up to date.	104	(104)	(104)
2 A revaluation of property, plant and equipment was revised from the original revaluations reflected in the draft accounts. One asset, the Market House, revaluations was adjusted and therefore revaluation figure was updated in the accounts.	(276)	276	276
<b>Overall impact</b>	<b>£(172)</b>	<b>£172</b>	<b>£172</b>

## Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	3,504	Note 33	NNDR Income has been incorrectly included in the Grants Income Note 33 in the accounts. NNDR is no longer a grant and so should not have been recognised in this note.
2 Missclassification	2,000	Current and long term borrowings and Notes 16 and 41	A loan was incorrectly included in long term borrowings when it was due to be repaid in May 2014 and therefore a current borrowing liability.
3 Disclosure	N/A	Note 38	Further disclosures were required to meet the revised IAS19 disclosures requirements.
4 Disclosure	N/A	Housing Income and Expenditure Account	The figures for the HRA income and expenditure were entered using an old working paper and therefore incorrect. The statement needed to be updated to reflect the actual income and expenditure of the account.
5 Disclosure and presentation	N/A	Various	Whilst we acknowledge the work undertaken by the Council to prepare the Annual Governance Statement and financial statements for our review, there are a number of minor disclosure and presentational adjustments that were required to be made to the drafts presented for audit. For example, there were a few areas that were not rounded correctly, and minor differences of £0.001 million from the 12-13 accounts.



# Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have reviewed the Council's submission of the fraud survey to the Audit Commission, and received confirmation that the Council is not aware of any frauds that would have a material impact on the financial statements. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.</li> </ul>
2.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>We are not aware of any significant incidences of non-compliance with relevant laws and regulations.</li> </ul>
3.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation has been requested from the Council.</li> </ul>
4.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements.</li> </ul>
5.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related party transactions which have not been disclosed.</li> </ul>
6.	<b>Going concern</b>	<ul style="list-style-type: none"> <li>Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.</li> </ul>

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## Section 3: Value for Money

01. Executive summary

02. Audit findings

**03. Value for Money**

04. Fees, non audit services and independence

05. Communication of audit matters

# Value for Money

## Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VFM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code. These criteria are:

**The Council has proper arrangements in place for securing financial resilience** - the Council 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 has proper arrangements for challenging how it secures economy, efficiency and effectiveness** - the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

## Key findings

### Securing financial resilience

We have considered the Council's arrangements to secure financial resilience against the following themes:

- Key financial performance indicators;
- Financial governance;
- Financial planning; and
- Financial control.

Overall our work highlighted that in a period of austerity, the Council has to date managed its finances effectively. The Council underspent against its budget for 2013/14 allowing it to contribute £0.964 million to the general fund reserve at year end. The Council has set a balanced budget for 2014/15 and will need to deliver savings of just over £1 million which are built into the budget.

Beyond 2014/15 the position becomes far more challenging. A further £3.1 million of savings will need to be identified in the period 2015/16 – 2018/19 to allow the Council to reduce budget gaps and set balanced budgets.

Therefore, we assess the current arrangements for achieving financial reliance as adequate.

### Challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

Our work highlighted that the overall arrangements are sound at the Council, but that the recommendation from prior year to use benchmarking to inform the allocation of resources still needs to be implemented. The shared management structure with West Somerset District Council that is currently being implemented is key in helping the Council prioritise its resources and ensuring efficiencies are realised.

### Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

<b>Green</b>	Adequate arrangements
<b>Amber</b>	Adequate arrangements, with areas for development
<b>Red</b>	Inadequate arrangements

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating
<b>Key indicators of performance</b>	<ul style="list-style-type: none"> <li>The Council has underspent against its general revenue budgets for the past four years and its housing revenue budget for the past three years.</li> <li>The reserves for the Council overall increased this year and well above the minimum levels set by members to protect against key financial risks.</li> <li>The key ratios of the Council are within accepted levels or have improved from the previous year.</li> <li>The Council has been able to reduce the staff sickness absence by 2.28 days from the previous year where they were above the average.</li> </ul>	<b>Green</b>
<b>Strategic financial planning</b>	<ul style="list-style-type: none"> <li>The Council's medium term financial plan (MTFP) is a 5 year financial planning horizon up to 2018/19. The Council goes through a detailed process in developing its financial plans. Budget proposals are consulted on and considered at various draft stages and by various committees before going to Full Council for approval.</li> <li>For 2014/15, savings of £1.508 million were identified and built into the budget to provide a balanced budget for the Council. The Council will need to continue to find substantial savings as the updated MTFP shows a cumulative budget gap from 2015/16 onwards totalling £3.145 million by the end of 2018/19.</li> <li>The Council has a strong track record of containing its expenditure within budget. Nevertheless the local government sector faces unprecedented financial challenges over the next 3 years. Members will have to continue to show strong leadership in decision making to ensure the Council remains financially resilient.</li> </ul>	<b>Green</b>
<b>Financial governance</b>	<ul style="list-style-type: none"> <li>The Council has a good process for financial governance that covers the whole planning cycle, includes consultation on proposals and performance reporting, and is underpinned with effective challenge and assurance processes.</li> <li>There is a clear understanding of the financial environment of the Council.</li> <li>There is appropriate engagement with stakeholders, Members and staff.</li> <li>The Council has adequate monitoring arrangements are in place for Member and officer level.</li> </ul>	<b>Green</b>

Theme	Summary findings	RAG rating
<b>Financial control</b>	<ul style="list-style-type: none"> <li>The Council has a strong recent track record on budgetary and financial control, demonstrated by good financial outcomes, which is indicative of a robust financial control framework. The arrangements to monitor delivery of the budget are robust and there are sufficient reserves to cover any slippage in savings programmes but there is no specific monitoring of delivery of the savings plans which is consistent with previous years.</li> <li>The Council set an ambitious capital programme for the year of over £38.3 million which included some projects that would extend beyond 2013/14. The final outturn showed of this programme £25.2 million remained to be spent in future years with an overall underspend of £0.062 million from the final approved budget.</li> <li>The Council's Internal Audit function reviews key areas and has confirmed controls are satisfactory. Last year internal audit was only able to offer partial assurance for control of creditors and debtors. The follow up Internal Audit work completed in 2013/14 has shown that the Council has implemented improvements for debtors and creditors as reported by Internal Audit and the fact that they were able to provide reasonable assurance for debtors. As Internal Audit has only been able to provide partial assurance for creditors, work still needs done to get more assurance over creditors control system.</li> <li>The Council continues to maintain and review risk registers. Due to the joint management team formed in the year with West Somerset District Council, a fundamental review and refresh of the Corporate Risk Register was undertaken in the year which includes a new joint risk register for the two Councils.</li> </ul>	<b>Green</b>
<b>Prioritising resources</b>	<ul style="list-style-type: none"> <li>The Council prioritises its resources based on objectives in the Corporate Business Plan.</li> <li>The Council has demonstrated a willingness to take on innovative and financially effective solutions to service delivery demonstrating a clear strategy and rationale for the use of its financial and other resources. Examples include the Council recently approving the plan to move to County Hall. The business case highlights financial savings and the qualitative benefits of a public sector hub with residents able to access a host of services at a single location.</li> </ul>	<b>Green</b>
<b>Improving efficiency &amp; productivity</b>	<ul style="list-style-type: none"> <li>The Council continues to consider a wide range of options to improve efficiency. This is demonstrated by the sharing of a management team with West Somerset District Council which is currently being implemented. Both Councils are relying on this sharing and transformation of services to deliver significant savings and enhanced service resilience. The project is on target and costs savings to date are in line with the plan. As the shared structure with West Somerset is still underway and not complete, there is still a risk that the business plan will not be fulfilled and the Council will not realise all the benefits that it expected. The Council is reliant on this initiative to contribute to its overall cost cutting programme.</li> <li>The Council can demonstrate through its performance and budget management arrangements that it continues to make improvements in efficiency and productivity. Through its Corporate Business Plan it can demonstrate that it continues to look for new ways to achieve efficiencies and provide services.</li> <li>We recognize that further difficult decisions will need to be made to generate further savings to bring the Council back to a sustainable financial position.</li> </ul>	<b>Amber</b>

To support our VfM conclusion against the specified criteria we performed a risk assessment against VfM risk indicators specified by the Audit Commission, and additional indicators identified by ourselves. Following completion of our work we noted the following residual risks to our VfM conclusion:

Residual risk identified	Summary findings	RAG rating
<b>Strategic financial planning</b> <i>Focus of the MTFP</i>	<p>The Council's MTFP outlines how the budget will be delivered over the medium to long term and carefully links to the Council's objectives and considers the changes to funding from central government. The updated MTFP and latest budget gap estimates have been reported to Corporate Scrutiny in September 2013 and January 2014.</p> <p>The MTFP shows budget gaps from 2015/16 to 2018/19 totalling £3.145 million. If no savings plans are delivered and the Council was to use reserve balances to fund the budget gaps, the general fund reserve would drop below the target minimum in in 2016/17 and would move into a negative position in 2017/18. The Council needs to identify further savings plans to ensure this gap is closed in future years.</p>	<b>Amber</b>
<b>Improving efficiency &amp; productivity</b> <i>Understanding costs</i>	<p>Benchmarking has been used by the Council but not yet in decision making for allocating resources. This is the third year that this finding has been carried forward in the findings of our Value for Money work. The Council needs to develop its understanding of comparative unit costs and performance of other local authorities to inform allocation of resources.</p>	<b>Amber</b>
<b>Improving efficiency &amp; productivity</b> <i>Delivery of savings and service re-design</i>	<p>The Council agreed to share management and services with West Somerset District Council beginning October 2013. Both Councils are relying on the sharing and transformation of services to deliver significant savings and enhanced service resilience.</p> <p>The project is on target and costs savings to date are in line with the plan. As the shared structure with West Somerset is still underway and not complete, there is still a risk that the business plan will not be fulfilled and the Council will not realise all the benefits that it expected.</p>	<b>Amber</b>

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## Section 4: Fees, non audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

# Fees, non audit services and independence

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

## Fees

	Per Audit plan £	Actual fees £
Council audit	66,605	*67,505
Grant certification	15,606	tbc
<b>Total audit fees</b>	<b>82,211</b>	<b>tbc</b>

\*There is additional fee of £900 in respect of work on material business rates balances. This additional work was necessary as auditors are no longer required to carry out work to certify NDR3 claims. The additional fee is 50% of the average fee previously charged for NDR3 certifications for district councils and has been approved by the Audit Commission.

## Fees for other services

Service	Fees £
None	Nil

## Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.



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## Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

# Communication of audit matters to those charged with governance

International Standard on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

## Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

	Audit Plan	Audit Findings
<b>Our communication plan</b>		
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

# Appendices

# Appendix A: Action plan

## Priority

**Significant deficiency** – risk of significant misstatement

**Deficiency** - risk of inconsequential misstatement

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	The Council should ensure that all assets within the same class are valued within the same financial year to meet the Code's requirements for revaluing of Property, Plant and Equipment in paragraph 4.1.2.35.	Medium	Recommendation accepted and the valuation process will be updated to reflect latest requirements. The approach will be discussed with auditors in advance of year end.	January 2015 Finance Manager and Property Manager
2	The Council should ensure that the recommendation from the VfM conclusion in 2011/12 is implemented, that is, to develop benchmarking to support decisions in allocating resources.	Medium	Recommendation accepted and will be progressed.	March 2015 Corporate Strategy and Performance Manager

# Appendix B: Audit opinion

**We anticipate we will provide the Council with an unmodified audit report**

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

### **Opinion on the Authority financial statements**

We have audited the financial statements of Taunton Deane Borough Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Director – Operations and auditor**

As explained more fully in the Statement of the Director – Operations Responsibilities, the Director – Operations is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director – Operations and the overall

presentation of the financial statements. In addition, we read all the financial and non-financial information in the foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements: give a true and fair view of the financial position of Taunton Deane Borough Council as at 31 March 2014 and of its expenditure and income for the year then ended; and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

### **Opinion on other matters**

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

### **Matters on which we report by exception**

We report to you if: in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; we issue a report in the public interest under section 8 of the Audit Commission Act 1998; we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

**Respective responsibilities of the Authority and the auditor**

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

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

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

**Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

**Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are 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 ended 31 March 2014.

**Certificate**

We certify that we have completed the audit of the financial statements 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.

Peter A Barber  
Associate Director  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Hartwell House  
55-61 Victoria Street  
Bristol  
BS1 6FT

XX September 2014



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# Taunton Deane Borough Council

## Corporate Governance – 22 September 2014

### External Audit 2013/14 – Certification Plan

#### Report of the Assistant Director Resources

This matter is the responsibility of the Leader of the Council, Cllr John Williams

#### **Executive Summary**

This short covering report introduces, for information only, the external audit Certification Plan for 2013/14.

#### **1. Background**

- 1.1 The external auditors carry out a significant role in ensuring our grant claims to Government are robust. This report sets out their plan for approaching this in 2013/14.
- 1.2 It is worth noting that the number of claims to be audited this year are fewer than previously following the replacement of Council Tax Benefit Subsidy with a local Council Tax Reduction Scheme; and the implementation of business rates retention meaning that there is no longer a NNDR3 grant claim.

#### **2. Recommendation**

- 2.1 Members are requested to note the report from our external auditors outlining their Certification Plan for 2013/14.

#### **Contact Officers:**

Paul Fitzgerald  
Assistant Director Resources  
01823 358680  
[p.fitzgerald@tauntondeane.gov.uk](mailto:p.fitzgerald@tauntondeane.gov.uk)



# Certification work plan for Taunton Deane Borough Council

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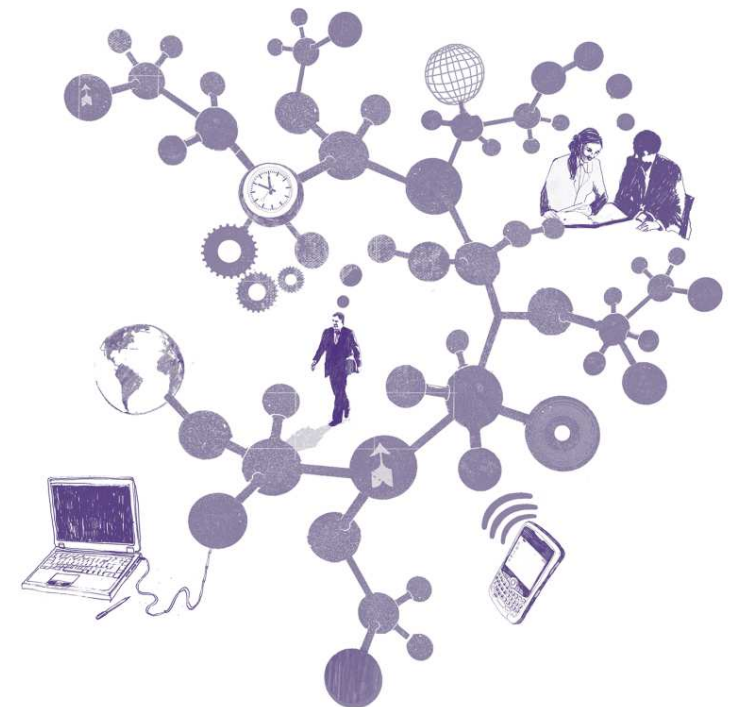
**Year ended 31 March 2014**

7 September 2014

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# Our approach to certification work

## Introduction

As the Council's appointed external auditor, we undertake grant certification work acting as an agent of the Audit Commission. The only claim which requires certification at Taunton Deane Borough Council for 2013/14 is the Housing Benefit Subsidy claim and the Pooling of Housing Receipts return.

The Department for Work and Pensions (DWP) requires external certification of the Housing Benefit Subsidy claim each year. The Department for Communities and Local Government (DCLG) require the external certification of the Pooling of Housing Receipts return.

The Audit Commission agrees certification arrangements with the DWP and DCLG and issues certification instructions. The arrangements include the deadline for submission of each claim by authorities and the deadline for certification by auditors (30/11/2014 for the Housing Benefit Subsidy claim and 30/09/2014 for the Pooling of Housing Receipts return).

## Role of all parties

The table following summarises the respective roles and responsibilities of the parties involved in the certification process.

Party	Role & responsibility
DWP and DCLG	Sets conditions of subsidy and deadline for submission for pre-certified and certified claim/return
Audit Commission	Issues certification instruction for auditor work
Council	Submits claim/return for certification to the Appointed Auditor within DWP and DCLG submission deadlines
Appointed Auditor	Certifies claim/return in accordance with Audit Commission certification instruction and within certification deadline

The Council's role is set out in more detail below:

- the Director - Operations is responsible for ensuring that supporting accounting records are sufficient to document the transactions for which claims/returns are made. These records should be maintained in accordance with proper practices and kept up to date, including records of income and expenditure in relation to the Housing Benefit Subsidy claim;
- the Council should ascertain the requirements of schemes at an early stage to allow those responsible for incurring eligible expenditure to assess whether it falls within the scheme rules and to advise those responsible for compiling claims and returns to confirm any entitlement;
- the Council should ensure all deadlines for interim and final claims are met to avoid sanctions and penalties from grant paying bodies;
- the DWP and DCLG requires the Council's certificate to be given by an appropriate senior officer. This is typically the Director - Operations or an officer authorised by written delegated powers; and
- the Council should monitor arrangements with any third parties involved in the certification process.

---

## Claims history

The most significant claims and returns in 2012/13 were:

- housing and council tax benefits scheme;
- national non-domestic rates return; and
- pooling of housing receipts return.

Due to changes in government funding, there are a number of schemes that either finished in 2012/13 or where funding is no longer ring-fenced. For the Council this means that there will be no certification under the Audit Commission regime of the following schemes this year:

- council tax benefit (previously part of the housing and council tax benefits scheme); and
- national non-domestic rates return.

## Our certificate

Following our work on each claim or return, we issue our certificate. The wording of this states that the claim is fairly stated and in accordance with the relevant terms and conditions. Our certificate also states that the claim has been certified:

- without qualification;
- without qualification but with agreed amendments incorporated by the Council;
- or
- with a qualification letter (with or without agreed amendments incorporated by the Council).

Where a claim or return is qualified because the Council has not complied with the strict requirements set out in the DWP's or DCLG's terms and conditions, there is a risk that the DWP or DCLG will retain funding claimed by the Council or claw back funding which has already been provided or has not been returned.

In addition, where the claim or return requires amendment or is qualified, this increases the time taken to undertake this work, which may impact on the certification fee.

## Certification work fees

The Audit Commission sets an indicative fee for grant claim certification based on the 2011/12 actual certification fees for each council. The indicative fee for the Council is £15,606. The fee is based on the following assumptions:

- there will be no change in the scope of our work due to the control environment in place during the year;
- the Council provides adequate working papers to support each entry in the claim or return; and
- the Council's staff are available to deal with our queries in a timely manner and provide such explanations and supporting evidence necessary to support entries.

Where there is any significant variation from these assumptions, we will discuss a variation to the indicative scale fee with the Council and the Audit Commission.

---

## **Administration**

When the claim or return is completed, a copy of the signed claim should be sent to Ashley Allen at the following address:

**Grant Thornton UK LLP**  
**1<sup>st</sup> Floor, Unit 26-28**  
**Basepoint**  
**Yeoford Way**  
**Marsh Barton Trading Estate**  
**Exeter**  
**EX2 8LB**

The **original** claim or return should be retained by the Council.

## **Managing the certification process – our role**

- We intend to certify the Housing Benefit Subsidy claim and Pooling of Housing Receipts return in accordance with the deadlines set by the Audit Commission. If we receive the claim or return after the Council's submission deadline, we will endeavour to certify it within the Audit Commission deadline but, where this is not possible, within three months from receipt.
- A copy of the certified claim or return will be sent to the relevant named contact when the certification process is complete, along with a copy of the qualification letter, where applicable.
- Copies of the certification instruction can be provided on request.
- We expect to complete the certification work by 30/11/2014 and will issue a grant certification report highlighting any issues that need to be brought to the Council's attention.



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# Taunton Deane Borough Council

## Corporate Governance Committee – 22 September 2014

### Internal Audit Plan 2014-15 Progress

#### Report of the Audit Manager – Alastair Woodland

(This matter is the responsibility of Executive Councillor John Williams, the Leader of the Council).

#### 1. Executive Summary

The Internal Audit function plays a central role in corporate governance by providing assurance to the Corporate Governance Committee, looking over financial controls and checking on the probity of the organisation.

The 2014-15 Annual Audit Plan is on track to provide independent and objective assurance on TDBC's Internal Control Environment. This work will support the Annual Governance Statement.

#### 2. Background

This report summarises the work of the Council's Internal Audit Service and provides:

- Details of any new significant weaknesses identified during internal audit work completed since the last report to the committee in June (Appendix B).
- A schedule of audits completed during the period, detailing their respective assurance opinion rating, the number of recommendations and the respective priority rankings of these (Appendix A).

Members will note that there are some high priority recommendations (4 or 5) identified since the June update.

#### 3. Detailed Update

Please refer to the attached SWAP Progress Report

**4. Finance Comments**

There are no specific finance issues relating to this report.

**5. Legal Comments**

There are no specific legal issues relating to this report.

**6. Links to Corporate Aims**

Delivery of the corporate objectives requires strong internal control. The attached report provides a summary of the audit work carried out to date this year by the Council's internal auditors, South West Audit Partnership.

**7. Environmental Implications**

There are no direct implications from this report.

**8. Community Safety Implications** (if appropriate, such as measures to combat anti-social behaviour)

There are no direct implications from this report.

**9. Equalities Impact**

There are no direct implications from this report.

**10. Risk Management**

Any large organisation needs to have a well-established and systematic risk management framework in place to identify and mitigate the risks it may face. TDBC has a risk management framework, and within that, individual internal audit reports deal with the specific risk issues that arise from the findings. These are translated into mitigating actions and timetables for management to implement. The most significant findings since the last committee report are documented in Appendix B.

**11. Partnership Implications**

There are no direct implications from this report.

**12. Recommendations**

Members are asked to note progress made in delivery of the 2014/15 internal audit plan and significant findings since the June 2014 update.

**Contact:**

Ian Baker – Director of Quality 01823 355299 Ian.Baker@southwestaudit.co.uk	Alastair Woodland – Audit Manager 01823 356160 Alastair.woodland@southwestaudit.co.uk
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## **Taunton Deane Borough Council**

### **Report of Internal Audit Activity, September Update, 2014/15**

# Contents

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The contacts at SWAP in connection with this report are:

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Chief Executive

Tel: 01935 462371

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**Ian Baker**

Director of Quality

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**Alastair Woodland**

Audit Manager

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Alastair.woodland@southwestaudit.co.uk

Summary

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Overview of Internal Audit Activity Page 1

Internal Audit Work Plan 2013-14

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Report on Significant Findings Page 4 - 6

Future Planned Work & Conclusions Page 7

Appendices

Appendix A - Audit Plan Progress 2013-14  
Appendix B - High Priority Findings and Recommendations (since last Committee)

Appendix C - Audit Plan Outturn 2013-14  
Appendix D - Audit Definitions



SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the PSIAS and the CIPFA Code of Practice for Internal Audit in England and Wales.

Our audit activity is split between:

- Operational Audit
- Key Control Audit
- Governance, Fraud & Corruption Audit
- IT Audit
- Special Reviews

See Appendix A for individual audits

## Role of Internal Audit

The Internal Audit service for Taunton Deane Borough Council is provided by South West Audit Partnership (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and 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 and last reviewed at its meeting on 10<sup>th</sup> March 2014.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work includes;

- Operational Audit Reviews
- Key Financial Control Reviews
- Cross Cutting Fraud and Governance Reviews
- IT Audit Reviews
- Other Special or Unplanned Reviews

## 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 this Committee at its meeting in March 2014.

Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk. Key Control Audits are undertaken in quarter three of each year and these are planned in conjunction with the Council's External Auditor to assist in their assessment of the Council's financial control environment. This reduces the overall cost of audit to the Council.



SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the PSIAS and the CIPFA Code of Practice for Internal Audit in England and Wales.

Update 2014-15

## Completed Audit Assignment in the Period

### Audit Plan Progress

The schedule provided at [Appendix A](#) contains a list of all audits as agreed in the Annual Audit Plan 2014/15. 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 D](#)

As can be seen from [Appendix A](#) the following audits have been progressed to date:

#### Operational:

- Drafting, 2 reviews
- Initiation, 1 review

#### Governance, Fraud and Corruption:

- Drafting 2 reviews
- In Progress, 1 review
- Initiation, 1 review

#### Follow-up Reviews:

- Complete, 2 reviews

#### ICT Reviews

- In progress, 1 review
- Initiation, 2 reviews

## 2013-14 Outturn

### Audit Plan Progress

There are three outstanding reviews from 2013-14 provided at **Appendix C**. These are IT Financial Controls and Disaster Recovery Arrangements, which are at review stage, and Partnership Arrangements which is at draft report. It is anticipated that these should be finalised by the end of September 2014.

#### Operational:

- Complete, 13 reviews
- Draft, 1 review

#### Governance, Fraud and Corruption:

- Complete, 4 reviews

#### Key Controls

- Complete, 5 reviews

#### Follow-up Reviews:

- Complete, 7 reviews

#### ICT Reviews

- Complete, 3 reviews
- Review/Drafting, 2 reviews

#### Non-Opinion

- Complete, 2 Reviews

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit Committee

## Report on Significant Findings

As agreed with this Committee where a review has a status of 'Final' and has been assessed as 'Partial' or 'No Assurance', I will provide further detail to inform Members of the key issues identified. I attach as [Appendix B](#), a summary of the agreed actions relating to those reviews completed for 2013/14 that have not been previously reported where the Auditor assessed the priority to be a level 4 (Medium/High) or 5 (High).

Since my last update there are two reviews concluded and assessed as 'Partial' and 'No Rating' and include the Auditor's Opinion as follows:

### System Development Life Cycle (SDLC) – No Rating

I am not able to offer any opinion. We were unable to ascertain if the areas reviewed and risks considered in this audit are well managed and adequately controlled and were unable to fully identify those areas where systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

Southwest One provided an overview of the system development process but did not release documentation, in particular the "AS Delivery Lifecycle", until after we had completed our evaluation and did not provide project sign-off documentation for the TDBC projects we reviewed. Accordingly we were unable to identify and evaluate all the control procedures that mitigate the risks considered in this audit. We found the project documentation that was provided to be acceptable with the exception that we noted Internal Projects are not subject to the normal prioritisation process for allocation of resources.

The issues that we felt are common to SWAP's review of the Somerset County Council SDLC audit performed earlier this year was unable to evaluate the controls due to the fact that the documented SDLC was not released to SWAP. We did however report on the following concerns:

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit Committee

## Report on Significant Findings

- The client can select vendor solutions without a technical assessment of the solution by Southwest One
- Developers have access to the production environment and routinely move programs into production
- Unmasked production data, which may include data classified as Personal or Personal & Sensitive, is used for testing by Southwest One and developers.
- The SDLC and related client communications do not appear to embed or trigger consideration of controls including security, back-up and disaster recovery, during the selection, development and implementation of application solutions.
- Secure coding standards have not been adopted.
- The criteria used in selecting projects for a Project Implementation Review are not specific.

### Creditors Key Control - Partial Assurance

The opinion given is based on the audit findings found during the review which suggest the procure-to-pay process is not being followed.

It should be noted that improvements have been implemented in the creditor's process. Changes in the creditor's process to address the weaknesses recognised in the previous audit have progressed and are documented in the updated action plan below (Appendix B). However, with the weaknesses that still remain in place partial assurance has been offered.

The number of duplicate payments have reduced significantly. The number of potential duplicates also entering the system has reduced and as at October 2013, 41 invoices were marked as potential duplicates out of 3,836 for the value of £67,168.92. Progress has also been made on the previous audit recommendation to categorise for common reasons for potential duplicates.

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit Committee

## Report on Significant Findings

The Good Receipt/Invoice Report (GRIR) position has improved dramatically. GRIR reports are produced monthly to show the number of documents and amounts outstanding by month and the age of the outstanding amounts. These are distributed to each theme manager and inform the finance officers of items that need clearing. During April 2013 to October 2013 it was established 609 documents amounting to £418,659.84 were outstanding of which; 277 documents amounting to £136,203 were over thirty days old. It should be recognised this is a huge improvement compared to last year where the outstanding figures have reduced by more than half.

In past audits, the creditors system has had problems with retrospective purchase orders being raised. For the current review this issue still remains. The Strategic Procurement Service have introduced measures to reduce this. A quarterly report is now produced to capture the numbers of retrospective purchase orders being made. This will inform management of volumes and help to target and address this issue. It is still too early to judge the impact from this new measure.

Some weaknesses were found in the supplier creation process, whether this is a case of not undertaking the necessary checks or not recording that the checks have been undertaken it is not possible to say.

In the previous audit it was reported that all users were to follow the procurement process. Steps have been taken to address the issue; Strategic Procurement Services have updated the training for the “Quick reference guide” for the procurement process. In addition in the new year the council is to roll out a training initiative on the procurement process called “Passport to Procure”. This will be the way forward to train future users.



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/Plan Changes

The audit plan for 2014/15 is detailed in [Appendix A](#). Members will note that there were necessary changes to the plan throughout the year; any changes made have been subject to agreement with the appropriate service manager and the Section 151 Officer.

Changes have been made to the ICT Audit work plan with Threat Protection and Corporate Information Security Controls (CIS) audits scheduled for quarter 1 and quarter 2 respectively were dropped to allow time for the Hardware and Software Asset Management audits and for work on the COSY Replacement Project. The COSY Replacement Project runs until September, which is the target time for completion of this work. Also, the Fraud Themed audit under the Governance, Fraud & Corruption audit plan has been deferred from quarter 1 to quarter 3 due to a change in responsibilities for Housing Sales.

## Conclusions

There has been some time put in to clearing the 2013/14 plan and I am pleased to report that all field work is complete with one review at draft and two at review/draft stage.

Steady progress against the 2014/15 plan has been made. It is recognised that significant changes have occurred over the last few months at TDBC with regard to officer responsibilities. This has caused some minor disruption to programming of audits and whilst we have diverted resource elsewhere it is anticipated this should be recovered throughout quarters 3 and 4. We have also experienced two initial meeting cancellations with SWO on the software and hardware asset management audits which has pushed this work back by a couple of months.

Despite the progress I can report that we have not identified any significant corporate risks since our last update. I will continue to update Members on progress against the plan and am confident that many of the reviews currently in progress or draft will be completed by the time of my next update.

# Audit Plan 2014-15

## Audit Plan Progress 2014-15

## APPENDIX A

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ← ↔ 5 = Major				
						Recommendation				
						1	2	3	4	5
Governance, Fraud & Corruption	Fraud Theme	Q1	Deferred to Q3 Client request							
ICT Audits	Threat Protection ( <b>Dropped to allow time for the COSY Replacement Project and Software &amp; Hardware Asset Management audits</b> )	Q1	Dropped							
Follow-up	Procurement Cards ( <b>work undertaken April, but superseded by Management update to May Corporate Governance Committee</b> )	Q1	Complete	Non-Opinion	6	0	1	3	2	0
Operational Audit	Parks & Open Spaces	Q1	Drafting							
Operational Audit	Safeguarding	Q1	Drafting							
ICT Audits	COSY Replacement Project ( <b>New</b> )	Q2	In progress	Non-Opinion						
ICT Audits	Software Asset Management ( <b>New</b> )	Q2	Initiation							
ICT Audits	Hardware Asset Management ( <b>New</b> )	Q2	Initiation							



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# Audit Plan 2014-15

## Audit Plan Progress 2014-15

## APPENDIX A

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major				
						Recommendation				
						1	2	3	4	5
Governance, Fraud & Corruption	Absence Management - Theme	Q2	In progress							
Governance, Fraud & Corruption	Private Water Supply	Q2	Drafting							
Governance, Fraud & Corruption	Data Transparency	Q2	Drafting							
Governance, Fraud & Corruption	Protective Marking - Theme	Q2	Initiation							
ICT Audits	Corporate Information Security Controls (CIS) <b>(Dropped to allow time for the COSY Replacement Project and Software and Hardware Asset Management audits)</b>	Q2	Dropped							
Operational Audit	Housing Sales (Right To Buy)	Q2	Initiation							
Follow-up	PAS	Q2	Complete	Non-Opinion	4	0	0	3	1	0
Key Control	Main Accounting	Q2	Initiation							



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# Audit Plan 2014-15

## Audit Plan Progress 2014-15

## APPENDIX A

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major				
						Recommendation				
						1	2	3	4	5
Governance, Fraud & Corruption	Fraud Theme	Q3	Deferred From Q1							
Key Control	Creditors	Q3								
Key Control	Council Tax & NNDR	Q3								
Key Control	Debtors	Q3								
Key Control	Housing Benefits	Q3								
Key Control	Payroll (Starters, Leavers, Changes)	Q3								
Key Control	Treasury Management	Q3								
ICT Audits	Financial Key Controls	Q3								
Operational Audit	Housing New Build	Q3								
Governance, Fraud & Corruption	Choice Based Letting	Q4								



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# Audit Plan 2014-15

## Audit Plan Progress 2014-15

## APPENDIX A

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major				
						Recommendation				
						1	2	3	4	5
Governance, Fraud & Corruption	Safer Somerset Partnership/ Community Safety	Q4								
Governance, Fraud & Corruption	Asset Management Theme	Q4								
Operational Audit	Community Infrastructure Levy (CIL)	Q4								
Operational Audit	Housing Voids	Q4								
Operational Audit	Commercial Properties/Rents	Q4								
Follow-up	Data Centre	Q4								
Governance, Fraud & Corruption	WSC & TDBC Shared Services	All								
Governance, Fraud & Corruption	Legal Services - Shared Services	All								



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# High Priority Findings and Recommendations

## High Priority Findings and Recommendations

APPENDIX B

Weakness Found	Risk Identified	Recommended Action	Management's Agreed Action	Agreed Date of Action	Responsible Officer
<b>System Development Life Cycle (ICT)</b>					
The client can select vendor solutions without a technical assessment of the solution by Southwest One.	This creates a risk that the solutions selected may not be effective without investment in, or change to the existing infrastructure, or may be costly and difficult to implement or maintain.	I recommend that the Strategic ICT Lead work with Southwest One to ensure that vendor products are jointly evaluated by the client and Southwest One. This requirement should be added to the SDLC if not already present.	SWOne Response: SWOne is willing to assist the client in evaluating vendor products on request.	31 December 2013	Southwest One & the Strategic ICT Lead



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# High Priority Findings and Recommendations

## High Priority Findings and Recommendations

## APPENDIX B

Weakness Found	Risk Identified	Recommended Action	Management's Agreed Action	Agreed Date of Action	Responsible Officer
Developers have access to the production environment and routinely move programs into production.	Without segregation of duties there is the potential for unauthorized changes to be implemented in production without detection.	I recommend that the Southwest One Head of Application Services develop and implement a formal procedure, within the Change Management process, whereby an individual with no programming responsibilities moves programs into production. The procedure should record all updates to programs in production. Access of developers and vendors to the production environment should be eliminated and the review of program code formalised.	SWOne Response: The majority of SCC applications are managed by 3rd parties, and SWOne has to manage its activities within the access provided by those 3rd parties. SWOne takes every precaution to ensure there is a separation of duties in place for its employees where possible.  <u>Auditor Comment</u> The response does not reflect our discussions with SWOne Senior Management on 12 June when it was agreed that access by developers to the production environments would be addressed.	Not agreed	Southwest One Head of Application Services SCC Strategic ICT Lead
Production data, which may include data classified as Personal or Personal & Sensitive, is used in the development environment without being masked or anonymised.	We understand that SAP data is masked during testing however there is potential for unauthorised loss or disclosure of classified data from other systems.	I recommend that the Strategic ICT Lead and Business System Owners work jointly with information governance officers to assess the risks of the use of unmasked client data by Southwest One and vendors for testing purposes. As required by Data Protection Laws, data should be masked or other mitigating procedures should be introduced.	Agreed	31 December 2013	SCC Strategic ICT Lead Business System Owners Information Governance

# High Priority Findings and Recommendations

## High Priority Findings and Recommendations

APPENDIX B

Weakness Found	Risk Identified	Recommended Action	Management's Agreed Action	Agreed Date of Action	Responsible Officer
<b>Creditors</b>					
2 of the 10 in the sample had no independent check to confirm the vendor details are correct with the supplier.	Increases the risk of error/fraud not being detected.	I recommend that the Business Systems and Support Manager ensures that the correct vendor checks are performed and evidenced prior to setting the vendor up, or where requests are made to change bank details.	I recommend that the Business Systems and Support Manager ensures that the correct vendor checks are performed and evidenced prior to setting the vendor up, or where requests are made to change bank details.	4th April 2014	S Kelly
1 out of 10 samples did not have the daily audit checks performed on change in bank details.	There is a risk that the authority could be exposed to fraudulent activities by paying the incorrect vendor.	I recommend that the Business Systems and Support Manager ensures that the daily audit checks are performed to ensure that any errors are detected.	The daily audit check process has recently been documented in a desktop procedure and the Master Data Team understands the importance of checking these changes every day.	18th March 2014	S Kelly
3 order placed as 45000 series orders were not specifically related to DLO works orders nor were they low value.	These 3 orders have bypassed the usual ordering process and are therefore unauthorised	I recommend that the Strategic Finance Officer reviews orders placed under the 45000 series to provide an analysis if this route of allowing orders to be created without authorisation is being abused. Further guidance should be issued to staff on when 45000 series orders can be placed.	The Strategic Finance Officer will ensure that a plan is in place to review the use of 45000 orders.	30th September 2014	M Hammond



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# High Priority Findings and Recommendations

## High Priority Findings and Recommendations

APPENDIX B

Weakness Found	Risk Identified	Recommended Action	Management's Agreed Action	Agreed Date of Action	Responsible Officer
<b>Outstanding from Creditors 2012-13 review</b>					
Ten out of twenty purchase orders had been raised retrospectively. This is consistent with Southwest One's analysis of retrospective purchase orders up to the end of August 2012 which showed almost 35% of purchase orders were retrospective.	If purchase orders are not raised in advance there will be reduced assurance that best value has been achieved and that the supplier is aware of the Council's payment terms and conditions.	I recommend the Shared Accounting Manager continues to monitor the frequency and users who raise retrospective purchase orders with the aim of bringing about a change of culture in the procure-to-pay process.	In progress- Creditors finding for 2013-14 highlighted retrospective ordering still remain an issue at the authority. However it should be noted progress has been made to address the issue. The Shared Accounting Manager informed that Procurement have taken over this recommendation. They produce regular reports on retrospective POs to the clients. The Procurement Operations Manager informed me the reports are produced quarterly to SCC Strategic Manager (Finance Controls and Standards) to inform them of stats for retrospective ordering. The Procurement Operations Manager informed me the next report is due in December.		
Retrospective purchase orders are not in accordance with financial regulations.		I recommend the Strategic Finance Officer takes appropriate steps to encourage a change in culture within the organisation around the procure-to-pay method.		In progress -The Strategic Finance Officer informed me this is still ongoing. Creditor 2013-14 audit identified retrospective ordering still occurs.	

# High Priority Findings and Recommendations

## High Priority Findings and Recommendations


## APPENDIX B

Weakness Found	Risk Identified	Recommended Action	Management's Agreed Action	Agreed Date of Action	Responsible Officer
To date the cleansing of the master data file is not complete.	If duplicate vendors remain on the system there is an increased risk of duplicate payments going undetected and vendor details becoming out of date where one record is updated over time.	I recommend the Chief Procurement Officer ensures the cleansing of the master data file is completed as expediently as possible.	<p>In progress – The Southwest one Finance &amp; Property – Business Systems &amp; Support (BSS) Manager informed me that the cleaning of master data file is continuous. These are the following task:</p> <ul style="list-style-type: none"> <li>• A robust approval process exists around setting up a new strategic vendor, which requires the sign off of either the SWOne Strategic Procurement Service (SPS) or the SCC Procurement team.</li> <li>• The master data team perform checks prior to setting up a new vendor to ensure that the vendor does not already exist on the system - with slightly different details.</li> <li>• Vendor requests sent to the master data team from AP team members requisition or general users are investigated and actioned promptly, within the 5 day turnaround of the KPI.</li> <li>• As requested, multiple vendor records are investigated and cleansed if it is concluded that there is no need for those records to be maintained.</li> <li>• Where vendor records are no longer required, they are now clearly marked 'blocked' to avoid any confusion from users.</li> </ul>		

# Internal Audit Plan 2013-14 - Outturn

## Audit Plan Progress 2013-14 - Outturn

## APPENDIX C

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 =  5 = Major				
						Recommendation				
						1	2	3	4	5
ICT Audits	Data Centre Facilities Management	1	Final	Partial	12	0	0	10	2	0
Non-Opinion	Contract Benefits - Van Hire	1	Final	Non-Opinion	6	0	0	4	2	0
ICT Audits	System Development Life Cycle	1	Final	No Rating	7	0	1	3	3	0
Operational Audit	Car Park Contract Management	1	Final	Reasonable	2	0	0	2	0	0
Operational Audit	Taunton Deane Partnership's 'Priority Areas Strategy' (PAS) programme	1	Final	Partial	9	0	0	4	5	0
Operational Audit	1. Contract Audit - Spend Analysis	1	Final	Reasonable	2	0	0	2	0	0
Operational Audit	Affordable Housing	1	Final	Substantial	0	0	0	0	0	0
Follow-Up	Project Taunton – Follow Up	1	Final	Follow-Up	0	0	0	0	0	0
Follow-Up	Business Continuity Arrangements – Follow-Up	1	Final	Follow-Up	4	0	0	3	1	0
No Opinion	Taxi Licenses (New)	1	Final	Non-Opinion	0	0	0	0	0	0
Operational Audit	2. Contract Audit – Pre & Current	1&2	Final	Reasonable	3	0	1	2	0	0
Governance, Fraud & Corruption	Fighting Fraud Locally	2	Final	Reasonable	6	0	1	3	2	0
ICT Audits	Non-SAP business critical applications - civica	2	Final	Reasonable	8	0	2	5	1	0
Operational Audit	Procurement Cards	2	Final	Partial	6	0	0	4	2	0




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# Internal Audit Plan 2013-14 - Outturn

## Audit Plan Progress 2013-14 - Outturn

## APPENDIX C

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 =  5 = Major				
						Recommendation				
						1	2	3	4	5
Operational Audit	Revs and Bens brought in house	2	Final	Non-Opinion	0	0	0	0	0	0
Operational Audit	Community Infrastructure Levy (CIL)	2	Final	Non-Opinion	0	0	0	0	0	0
Follow-Up	Equality Impacts on Decisions - Follow-up	2	Final	Follow-up	1	0	0	0	1	0
Follow-Up	Data Security Breaches Follow-up	2	Final	Follow-up	5	0	3	1	1	0
Operational Audit	Audit Universe (New)	3	Final	Non-Opinion	0	0	0	0	0	0
Governance, Fraud & Corruption	Council Tax Reduction Scheme	3	Final	Non-Opinion	2	0	1	1	0	0
Follow-Up	ICT Strategy - Follow Up	3	Final	Follow-up	8	0	1	3	2	2
Key Control	Creditors	3	Final	Partial	5	0	0	2	3	0
Key Control	Council Tax & NNDR	3	Dropped							
Key Control	Debtors	3	Final	Reasonable	2	0	0	2	0	0
Key Control	Housing Benefits	3	Dropped							
Key Control	Main Accounting	3	Dropped							
Key Control	Payroll	3	Final	Reasonable	3	0	1	2	0	0
Key Control	Capital Accounting	3	Final	Substantial	2	0	2	0	0	0
Key Control	Housing Rents	3	Final	Reasonable	5	0	0	5	0	0




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# Internal Audit Plan 2013-14 - Outturn

## Audit Plan Progress 2013-14 - Outturn

## APPENDIX C

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 =  5 = Major				
						Recommendation				
						1	2	3	4	5
Key Control	Treasury Management	3	Dropped							
Governance, Fraud & Corruption	Debt Management Theme	3	Final	Non-Opinion	0	0	0	0	0	0
ICT Audits	IT Financial Controls, Inc Access (Key Financial System Audit)	3	Review							
Follow-Up	IS Regulatory Compliance - Follow-up	4	Final	Follow-Up	0	0	0	0	0	0
Operational Audit	Troubled Families/Family Focus (New)	4	Final	Reasonable	7	0	1	5	1	0
Governance, Fraud & Corruption	Home working Arrangements	4	Final	Reasonable	7	0	2	5	0	0
ICT Audits	Disaster Recovery Arrangements	4	Review							
Operational Audit	Imprest Analysis/Cash Handling	4	Final	Reasonable	1	0	0	1	0	0
Operational Audit	DLO Fleet Vehicles, incl fuel check (New)	4	Final	Reasonable	7	0	3	3	1	0
Operational Audit	Health & Safety	4	Final	Non-Opinion	6	0	2	3	1	0
Operational Audit	Partnership Arrangements	4	Draft	Reasonable	8	0	1	7	0	0
Follow-Up	Gas Servicing Follow up	4	Final	Follow-Up	3	0	0	0	2	1
	Somerset Waste Partnership Plan Contribution	4								



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# Audit Framework Definitions

<b>Substantial</b>	▲★★★★ I am able to offer substantial 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.
<b>Reasonable</b>	▲★★★★ 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.
<b>Partial</b>	▲★★★ 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.
<b>None</b>	▲★★★ 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
<b>Low</b>	Issues of a minor nature or best practice where some improvement can be made.
<b>Medium</b>	Issues which should be addressed by management in their areas of responsibility.
<b>High</b>	Issues that we consider need to be brought to the attention of senior management.
<b>Very High</b>	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 – 22 September 2014

### Approval of the Statement of Accounts 2013/14

#### Report of the Director of Operations, Shirlene Adam

This matter is the responsibility of Executive Councillor Williams (Leader of the Council)

#### 1 Executive Summary

The Statement of Accounts for 2013/14 is required to be approved by the Corporate Governance Committee and signed by the s.151 Officer (Shirlene Adam) and the Chair of the Corporate Governance Committee (Councillor Reed). The Statement of Accounts document is attached to this report.

This report also links to and reflects the Audit Findings Report which was prepared by and will be presented by the Council's external auditors – Grant Thornton UK LLP.

#### 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.
- 2.2 The s.151 officer is required to sign off the unaudited Draft Accounts as true and fair by 30 June each year. The audited Statement of Accounts must be approved by Committee by 30 September each year. Once approved the Statement must be signed by the s.151 Officer and the Chair of the Corporate Governance Committee, and published on the Council's website.
- 2.3 The Council's Statement of Accounts has been audited this year by Grant Thornton UK LLP and are attached to this report. At the time of writing this report, Grant Thornton intend to issue an unqualified opinion, as reported in the Audit Findings Report earlier on the agenda for this meeting. However it should be noted that Grant Thornton are finalising a few areas of their work which will be completed by the date of the committee. Should there be any adjustments to the Statement of Accounts subsequent to this report being issued this will be reported at the Committee meeting.

### **3 Statement of Accounts**

- 3.1 The Statement of Accounts for 2013/14 has been prepared on an IFRS (International Financial Reporting Standards) basis in line with the CIPFA (Chartered Institute of Public Finance Accounting) Code of Practice on Local Authority Accounting in the UK 2013/14.
- 3.2 In 2013/14 there were a small number of changes for our accounting requirements, the details of which were reported to this committee on 23 June 2014 – notably affecting accounting for pension costs and business rates provisions for appeals and refunds. Comparative financial details related to 2012/13 have been applied to the Statement of Accounts as set out in that previous report.
- 3.3 There are no material errors related to previous years, or other material changes to accounting requirements, therefore no further changes to comparative financial details related to 2012/13 have been made.
- 3.4 The Statement of Accounts contain four main statements reflecting the position of the Council at 31 March 2014:
- Movement in Reserves Statement
  - Comprehensive Income and Expenditure Statement
  - Balance Sheet
  - Cash Flow Statement
- 3.5 There are also supplementary statements related to the Collection Fund (which deals with the collection and distribution of Council Tax and Business Rates) and the Housing Revenue Account.

#### **Movement in Reserves Statement**

- 3.6 This account shows the changes in the Council's financial resources over the year by showing the movement on the reserves held. The reserves are analysed into usable (these can be used to fund spending) and unusable reserves (reserves that cannot be spent as they contain technical accounting adjustments that do not represent available funding).
- 3.7 The total of the Council's Usable Reserves (capital and revenue combined) has increased by £4.431m in year. The largest movements are seen in the General Fund earmarked reserves (£5.501m), a reserve set up for JMASS (£1.568m), a business rates smoothing reserve (£1.265m) and an increase in the capital financing reserve (£4.363m) Similarly there is a balance on the Major Repairs Reserve (£2.463m) reflecting funding allocated to, but not yet spent on, capital works on the Housing Stock.



- 3.8 The Statement shows that both the General Fund and Housing Revenue Account (HRA) balances are above the minimum level required in the Council's financial strategy, with General Fund Reserves decreasing from £3.943m to £2.537m, and HRA balances increasing from £2.247m to £3.059m in year.

### **Comprehensive Income and Expenditure Statement**

- 3.9 The Comprehensive Income and Expenditure Statement (CIES) shows the day to day revenue spending and income on the Council's services. It also shows the council tax and government grants received to help pay for those services. The Comprehensive Income and Expenditure Statement shows the net cost on an "accounting basis" which includes accounting adjustments such as depreciation, impairment and revaluation losses, and other types of accounting adjustments. These adjustments are then reversed out in the Movement in Reserves Statement to show the "funding" position of the Council. Included in the Comprehensive Income and Expenditure Statement is the Housing Revenue Account (HRA) but there is also a separate HRA Statement included in the Statement of Accounts which is explained further on in this report.
- 3.10 The net Cost of Services has increased by around £1.5m compared to the previous year's accounts. This mainly reflects the changes in pension costs as a result of sensitivity to changes in actuarial assumptions and market conditions.
- 3.11 The Financial Outturn position for 2013/14 was reported to the Executive and Corporate Scrutiny meetings in July and August respectively. This report included information relating to the Council's financial performance for the 2013/14 financial year. The report highlighted key variances to the budget and provided explanations for these.

### **Balance Sheet**

- 3.12 The Balance Sheet provides a snapshot of the Council's financial position as at 31 March 2014 (with comparatives for 31 March 2013).
- 3.13 The Balance Sheet shows that net assets have increased by £13m in 2013/14, to a balance of £174m as at March 2014. This is mainly due to an increase in cash due to an increase in General Fund earmarked reserves, an increase in the value of the Council's property plant and equipment of £4m mainly due to revaluation increases in council dwellings.

### **Cashflow Statement**

- 3.14 The cash flow statement summarises the flows of cash and cash equivalents into and out of the Council during the year.

- 3.15 Cash and cash equivalents are represented by the following: cash in hand; deposits with financial institutions repayable without penalty on notice of not more than 24 hours; and investments that mature in one month or less from the date of the balance sheet and are readily convertible into cash.
- 3.16 During the year the Council's cash and cash equivalents increased by approximately £6.4m. The main reason for the increase is due to General Fund earmarked reserves.

### **Housing Revenue Account**

- 3.17 The Housing Revenue Account (HRA) Income and Expenditure Account shows the economic cost in year of providing housing services.
- 3.18 The HRA for 2013/14 shows that income for the year has increased from 2011/12 by £1.3m, mainly reflecting the approved increase in dwelling rents. Service Expenditure has increased by £1.4m, mainly reflecting increased maintenance spending during the year.

### **Collection Fund**

- 3.19 The Collection Fund Statement shows the total amount the Council has collected from rate payers on behalf of, and distributed to, all of the precepting authorities and central government. The major precepting authorities are Somerset County Council, Avon and Somerset Police, Devon and Somerset Fire and Rescue Authority and Central Government. The Council has a statutory obligation to maintain a separate Collection Fund Account.
- 3.20 The presentation of the statement has been updated this year to reflect the introduction of Business Rates Retention, with the Council Tax and Business Rates movements and balances clearly separated. The statement shows that the Council has collected £92.7m on behalf of the precepting authorities and Central Government. This comprises council tax income of £53.6m and business rates income of £39.1m. The Council Tax receipts have reduced mainly due to the abolition of Council Tax Benefit – in 2012/13 income was reported gross including £6.9m funded through Benefit Subsidy, whereas the 2013/14 figure is reduced as it is reported net of Council Tax Support discounts totalling £5.897m.
- 3.21 The statement currently shows a small surplus of £0.3m (TDBC share = £31k) in respect of Council Tax and a deficit of £3.2m (TDBC share = £1.3m) in respect of business rates. The deficit in business rates largely reflects the creation of a provision of £2.9m in respect of appeals and refunds, which is required with the inception of the Retention system.

## **4 Result of the Audit of the Statement of Accounts**

- 4.1 Grant Thornton UK LLP intends to issue the Council with an “unqualified” opinion on the Statement of Accounts and the Value for Money conclusion. This is good news and means that the Auditors agree that the Accounts provide a “true and fair view” of the financial position.
- 4.2 During the audit there were a small number of amendments to the Draft Accounts to improve the presentation of the statements and correct disclosures – as shown in the Audit Findings Report earlier on this agenda. These were presentational only and did not affect the overall financial position of the Council.
- 4.3 The auditors have recommended that we update our approach to the rolling programme of asset valuations, so that all assets within the same class are valued in the same reporting period. This is taken as an action for the 2014/15 accounts.

## **5 Legal Comments**

- 5.1 There is a Statement of Responsibilities within the Statement of Accounts, which summarises responsibilities for the Council and its S151 officer. The Accounts are prepared in accordance the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, which specifies the principles and practices of accounting required to give a ‘true and fair’ view of the financial position and transactions of the authority.
- 5.2 The Code sets out the proper accounting practices required by section 21(2) of the Local Government Act 2003. These proper practices apply to:
  - Statements of Accounts prepared in accordance with the statutory framework established by the Accounts and Audit (England) Regulations 2011
  - The audit of those accounts undertaken in accordance with the statutory framework established by section 5 of the Audit Commission Act 1998

## **6 Links to Corporate Aims**

- 6.1 The Statement of Accounts reports the financial activities of the Council in the delivery of its corporate aims.

## **7 Environmental Implications**

- 7.1 There are no environmental implications.

## **8 Community Safety Implications**

- 8.1 There are no community safety implications.

## **9 Equalities Impact**

9.1 The Statement of Accounts is available in a variety of formats.

## **10 Risk Management**

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

## **11 Partnership Implications**

11.1 The preparation of the Statement of Accounts is carried out by Southwest One on behalf of the Council.

## **12 Recommendations**

Members are recommended to:

12.1 Note the Auditor's unqualified opinion on the Statement of Accounts.

12.2 Approve the 2013/14 Statement of Accounts as attached to this report; then

12.3 The Chairman of the Committee is requested to sign the Statement of Accounts.

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## **Background Papers**

Executive – 9 July 2014: Financial Outturn 2013/14

**Taunton Deane Borough Council**

**Audited Statement of Accounts 2013/14**

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## Foreword by the Section 151 Officer

### A SUMMARY OF THE COUNCIL'S FINANCIAL PERFORMANCE 2013/14

This foreword highlights some of the most important matters reported in the accounts and provides a management commentary on the financial performance and standing of the Council. The commentary is focussed both on the performance in the past year and on issues affecting the Council in 2014/15 and beyond.

### THE FINANCIAL STATEMENTS

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

- The **Movement in Reserves Statement** (pages 42 and 43) 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 44) 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 45) 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 46) summarises the flows of cash into and out of the council during the year.
- The **Notes to the Financial Statements** (pages 47-105) 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.

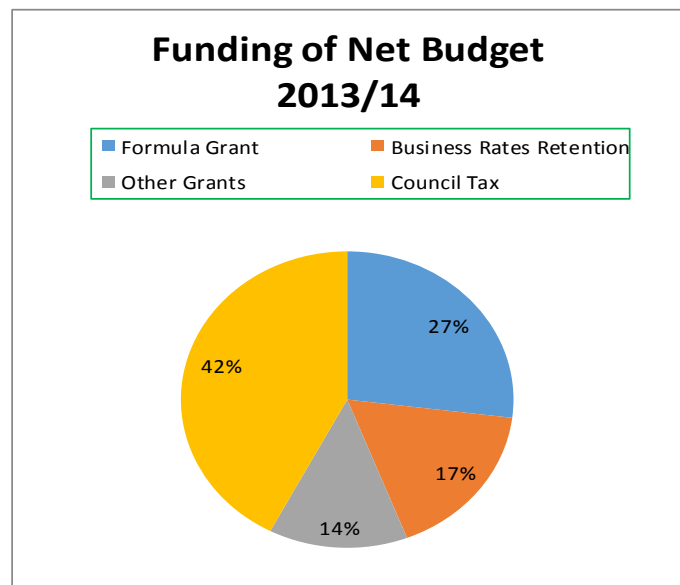
A more detailed explanation of each of the main statements is included alongside each of those statements within the Statement of Accounts.

### FINANCIAL OVERVIEW

#### General Fund Revenue Budget and Reserves

The Council's Net Budget for 2013/14 is £13,187k, representing the net cost of General Fund services funded by grants and Council Tax as shown in the following table and graph.

	£k
Formula Grant from Government	3,556
Business Rates Retention	2,264
Other Unring-fenced Government Grants (New Homes Bonus, Council Tax Freeze)	1,784
Previous Years Collection Fund Surplus	23
Council Tax	5,560
<b>Net Expenditure Budget</b>	<b>13,187</b>



In setting the budget for 2013/14 the Council agreed to a Council Tax Freeze for the third consecutive year. This meant the annual Band D Council Tax remained at £135.19. The 2013/14 Freeze was funded by a one-year grant from Government of £57k and the £138k relating to the Tax Freeze in 2011/12, which has been rolled into our general grant funding.

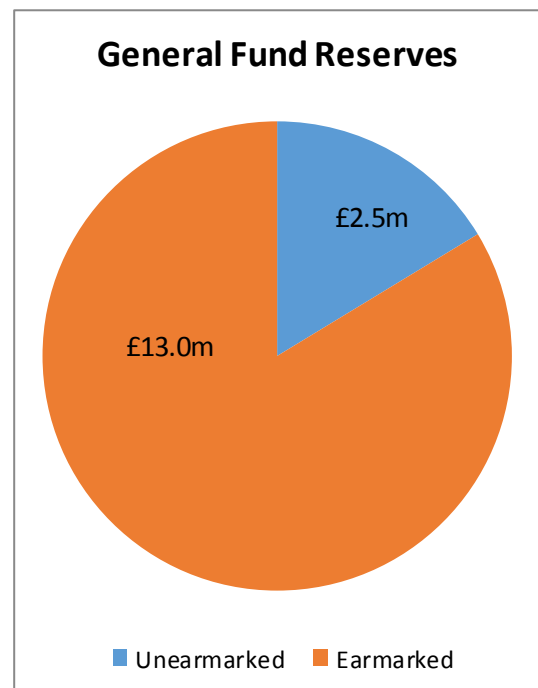
The Council's actual net expenditure before funding in 2013/14 was £13,453k, resulting in a reported underspend on the final budget of £964k (7.0% of Net Budget). The net underspend arose due to variances in several budget areas. The most significant underspends have been reported against Household Waste Collection/Recycling costs, Garden Waste Income, Off-street Parking Services and Planning Services. These together with other smaller underspends have enabled to the Council to offset budget overspends/shortfalls in arriving at the net position. The most significant budget pressure in the year relates to crematorium and cemeteries income where there is competition from two new crematoria in Honiton and Pawlett. The following table provides a summary of the financial results for the year compared to budget.

General Fund Outturn 2013/14	Budget	Actual	Variance	
	£k	£k	£k	%
Net Expenditure on Services	12,238	13,197	959	7.8
Other Operating Costs and Income	198	269	71	35.0
Net Transfer to Earmarked Reserves	5,410	5,501	91	1.7
Net Transfer from General Reserves	(2,369)	(2,369)	0	0
Capital Financing and Debt Repayment	1,532	1,518	(14)	(0.9)
Technical Accounting Adjustments	(2,537)	(4,663)	(2,126)	83.8
<b>Net Budget before Funding</b>	<b>14,472</b>	<b>13,453</b>	<b>(1,019)</b>	<b>(7.0)</b>
Funding - Grants and Council Tax	(14,472)	(14,417)	55	(0.4)
<b>Net Variance</b>	<b>0</b>	<b>(964)</b>	<b>(964)</b>	

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

The General Fund Reserves have decreased from £3,943k at the start of the year to £2,537k at 31 March 2014. There were approved transfers to the Revenue Budget of £2,369k, offset by underspend in the year. Later in this foreword I explain the financial challenges and risks faced by the Council. Having reserves at this level provides some resilience as the Council takes the necessary steps to continue to maintain a robust and sustainable financial position.

The Council also carries Earmarked Reserve balances, which represent funds that have been set aside to support specific spending in future years. The General Fund Earmarked Reserves balance at 31 March 2014 stands at £13,009k. This balance covers a wide variety of planned spending requirements, including: asset maintenance; growth and regeneration service and project costs; affordable housing investment; funding for the capital programme; a self-insurance fund, business rates funding contingency, and a wide variety of other initiatives and service costs.



### Housing Revenue Account (HRA) Budget and Reserves

The Council is 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 Housing Revenue Account (HRA) only accounts for the costs and income related to provision of Council-owned accommodation. The Local Government Act 1989 requires that this expenditure is ring-fenced and cannot be subsidised by the General Fund.

The Net Budget for the HRA is £Nil, reflecting the self-financing nature of the account. However, financial performance is measured against the Gross Income budget, which is £25,915k for the year. The HRA has reported a net surplus of £861k for 2013/14, which is 3% of gross income, which relates to one-off items including an additional week of rental income (there were 53 weekly rent debits in 2013/14)

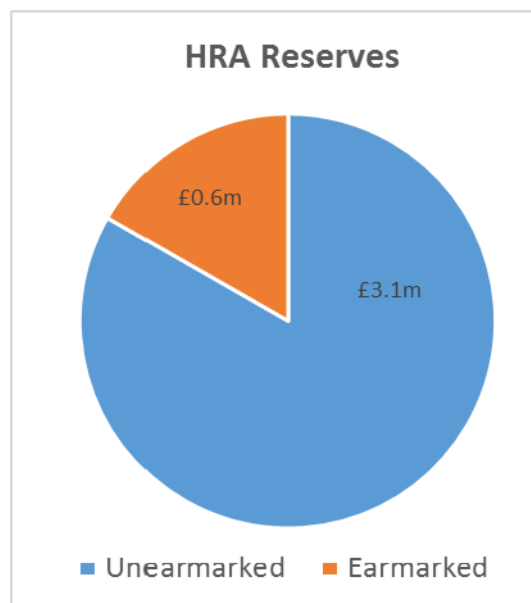


and the postponement of universal credit which has meant arrears are lower than budgeted. The following table provides a summary of performance against budget for the year.

HRA Outturn 2013/14	Budget	Outturn	Variance	
	£k	£k	£k	%
Gross Income	(25,915)	(25,861)	54	0%
Service Expenditure	13,209	12,318	(891)	-7%
Other Operating Costs and Income	2,902	2,893	(9)	0%
Earmarked Reserve Transfers	(705)	(705)	0	0%
Capital Financing and Debt Repayment	10,138	10,123	(15)	0%
Technical Accounting Adjustments	419	419	0	0%
Unearmarked Reserve Transfers	(48)	(48)	0	0%
<b>Net Variance</b>	<b>0</b>	<b>(861)</b>	<b>(861)</b>	<b>-7%</b>

The Housing Revenue Account Reserve has increased from £2,246k at the start of the year to £3,059k at 31 March 2014. The year end balance is well above the minimum level set within the Council's financial strategy of £1.8m, providing some resilience for the additional risks and plans recognised in the HRA Business Plan.

The HRA Earmarked Reserve balance at 31 March 2014 is £614k, a decrease of £705k in the year. The Social Housing Development Fund is a major element of this, and although £801k was transferred to this reserve from the revenue budget, a total of £1,505k has been allocated to the Social Housing Development Fund capital programme in 2013/14 to fund a combination of new build development schemes which are underway, and the acquisition of dwellings previously sold under Right to Buy. The Social Housing Development Fund reserve balance at the end of 2013/14 is £404k, a net decrease of £704k.



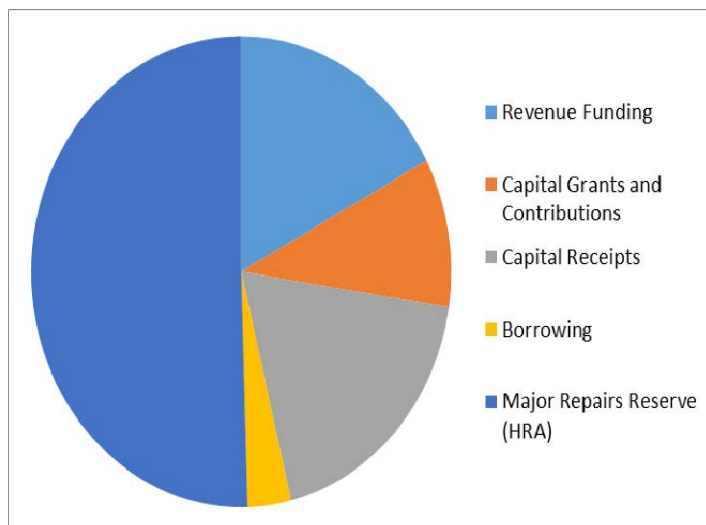
### Capital Spending and Reserves

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 £12,997k (£9.4m in 2012/13). Capital spending comprises £4,350k on General Fund schemes and £8,647k on HRA capital works, as summarised in the table below. A significant proportion of General Fund spending related to Station Road pool, with £1.45m spent in 2013/14. HRA capital works are largely related to maintaining housing standards, including replacing roofs, kitchens, bathrooms, windows, doors, heating systems and other related works.

General Fund Capital Schemes	£k	HRA Capital Schemes	£k
Station Road Pool	1,450	Heating Systems	1,506
Cremators Replacement	231	Replacement Roofing	1,333
Housing Enabling and Housing Standards	782	Kitchens and Bathrooms	1,239
Play Equipment and Sports Facilities	795	Doors and Windows	551
DLO Vehicles, Plant and Equipment	466	Accessibility Aids and Adaptations	608
Regeneration Schemes	317	HRA Buybacks	712
		Creechbarrow, Normandy Drive	1,325
		Fascias, Soffits and Fire Safety	973
Other schemes	309	Other schemes	400
<b>Total</b>	<b>4,350</b>	<b>Total</b>	<b>8,647</b>

Capital expenditure is funded from a variety of sources, as shown in the table and graph below.

Sources of Capital Funding	£k
Revenue Funding	2,234
Capital Grants and Contributions	1,328
Capital Receipts	2,441
Borrowing	433
Major Repairs Reserve (HRA)	6,561
<b>Total</b>	<b>12,997</b>



The General Fund Capital Programme has committed approved capital spending in future years of £13,623k. The HRA Capital Programme has committed approved capital spending into future years of £11,717k.

Overall the Council has sufficient resources available to meet its approved capital programme in 2014/15 but recognises that significant further funds will be required to meet all our future aspirations.

Capital reserves reflect funds set aside to fund investment in capital items in future years, and largely comprise grants, contributions and capital receipts that are committed on projects to be completed in the 2013/14 capital programme. The Council currently holds £11,433k of capital reserves, providing funding for the approved capital spending referred to above. The Council has also approved borrowing of £15,091k to fund approved schemes.

### Pensions

The Council's share of the overall Pension Fund deficit decreased from £70.1m at 31 March 2013 to £67.2m at 31 March 2014. The deficit has decreased by 4%, which is largely due to an increase in actuarial gains on pension assets.

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.

Following the actuarial valuation in 2013 we have changed the way in which we contribute to the Pension Fund as an employer. We are now required to contribute a percentage plus a lump sum each year. During 2013/14 we were contributing 18.4% as an employer. Due to falling staff numbers maintaining this approach would not address the deficit. Hence in the years 2014/15 onwards we will be contributing 13.5% plus a lump sum. In 2014/15 this lump sum is £760k rising to £1,220k in 2016/17.

### Treasury Management and Capital Resources

At 31 March 2014, the Council held investments of £26.3m (£18.3m at 31 March 2013). The return on these investments included in the revenue accounts amounted to £0.344m (£0.185m in 2012/13). The return on investments has increased this year due to the duration the Council is advised to invest for increasing, which has resulted in higher returns from investments.

Total borrowing amounted to £94.4m at 31 March 2014 (£94.4m at 31 March 2013). The cost of borrowing and management of debt charged to the revenue accounts during 2013/14 was £2.941m (£2.769m in 2012/13).

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. Like all Councils we are facing increased treasury management risks, mainly due to the Eurozone, and finding a safe place to invest any surplus cash is becoming harder. The investment strategy is to spread this risk wider with the preservation of cash at the heart of any investment decision.

The Council's capital borrowing is split into two pools. As part of the move to Self-Financing, the Government has imposed a debt cap for the HRA. This is to limit nationally the scale of public sector borrowing related to housing. For this Council the debt cap during 2013/14 was £115.8m, and the difference between our actual borrowing and the cap is our "headroom" for additional borrowing to support capital investment in our housing stock. The Council's Capital Financing Requirement (CFR), which is effectively our underlying need to borrow for capital purposes, is summarised in the table below. As the table shows, it has only been necessary to externalise debt for part of the CFR amount, as we have been able to use internal cash balances without the need to take out loans from financial institutions. The HRA Business Plan allows for the current HRA capital debt to be repaid within 17 years.

<b>General Fund and HRA Capital Financing</b>	<b>General Fund £k</b>	<b>HRA £k</b>	<b>Total £k</b>
Capital Financing Requirement 1 April 2013	5,889	99,649	105,538
Provision for debt repayment during the year	(729)	(1,851)	(2,581)
New expenditure funded through borrowing	433	0	433
Capital Financing Requirement 31 March 2014	5,593	97,798	103,390
Externalised capital borrowing	0	94,198	94,198
Expenditure financed by internal cash resources	5,593	3,600	9,192
Total Borrowing Requirement	5,593	97,798	103,390
Borrowing Headroom for the HRA	n/a	17,986	n/a
HRA Debt Cap	n/a	115,784	n/a

### **Right to Buy and One for One Replacement**

A new Government policy was introduced early in 2012/13, related to the retention of sale proceeds for properties bought by Housing Tenants under the "Right to Buy" scheme. The Invigorating Right to Buy policy gives greater discounts to tenants wishing to purchase their rented council dwelling, and the new incentives have seen the number of sales continue to increase to 47 in 2013/14 (compared to 37 in 2012/13 and 11 in 2011/12). This generated total capital receipts of £2,705k in 2013/14 which after allowable deductions for pooling, self-financing debt and transaction costs related to the sold properties, the balance of £1,292k must be allocated to expenditure on replacement affordable homes. Under the agreement with central Government, the use of Right to Buy receipts must not exceed 30% of total spending on new affordable homes; in other words 'match funding' of at least 70% is required. In addition, the expenditure must be incurred within 3 years of the receipt. The total amount of additional receipts retained since April 2012 is £2,526k. Of which £496k has already been allocated towards funding new affordable housing in the development capital programme and the remaining on track to be fully utilised within the timescales with a combination of buy backs and new build development schemes.

### **Business Rates Retention**

The Local Government Finance Act introduced the business rates retention scheme altering the way in which local authorities are funded. This has seen a move away from the current needs-based formula funding arrangement to one that provides a strong incentive for local authorities to go for growth. 2013/14 has seen the introduction of a new Business Rates Retention Scheme, which passes some of the risks and rewards for Business Rates growth from central to local government under the Localism agenda.

In establishing the new arrangements the Government has set a Business Rates Baseline assessment. For every £1 of additional Business Rates collected above this baseline, the Council will keep 20p (the remainder is passed to central government, the County Council and Fire Authority). However, if Business Rates yield falls below the baseline our residual funding is reduced by 40p in every £1. This places a strong link between local funding and the incentive to sustain and grow the local economy. The following table summarises the distribution of Business Rates in 2013/14.

The Council's safety net of £2,188k in 2013/14 is compared with its retained income which is its share of business rate income less the amount paid to Central Government plus share of 50% of Small Business Rate Relief and a share of Localism Act Reliefs. The retained income is £1,451k and the difference of £737k is the safety net payment required to take the Council to its safety net threshold of £2,188k.

A smoothing reserve of £1,265k has been set up from additional income compared to budget in 2013/14 to manage the fluctuations in retained business rates income in future years.

Business rates income and expenditure is set out in the Collection Fund on page 100.

	£k
Net Business Rates Yield	36,663
Amount paid to central government	(31,343)
Amount paid to County Council and Fire Authority	(3,869)
Retained Business Rates by Taunton Deane Borough Council	1,451
Safety Net Threshold	2,188
Estimated difference between retained Business Rates and the baseline	737

### **Localised Support for Council Tax (Council Tax Reduction Scheme)**

At the Spending Review 2010 the Government announced that it would localise support for Council Tax from April 2013, reducing expenditure by 10%. The Welfare Reform Act 2012 contains provisions for the abolition of Council Tax Benefit, and subsequently the Local Government Finance Bill (introduced to Parliament 19 December 2011) imposes a duty on billing authorities to make a localised Council Tax Reduction Scheme (CTRS) by 31 January 2013. Working in collaboration with the County Council and other Somerset district Councils, TDBC has approved a new local Council Tax Support Policy for 2013/14, which results in a range of Council Tax discounts being available instead of the previous Benefit regime. Previously the Government provided a subsidy to fully reimburse the Council for the cost of benefits paid out, but from April 2013 the Government has included a fixed grant amount within the Finance Settlement. This amount, which is £638k for 2013/14, forms part of the funding allocation received via Revenue Support Grant and the Retained Business Rates Baseline (see above).

Whereas previously the cost of Council Tax Benefit was accounted for wholly by Taunton Deane Borough Council, as the billing authority for the area, the new arrangements mean that the major precepting authorities - Somerset County Council, Devon & Somerset Fire & Rescue Authority, and the Police Authority – also receive a fixed grant from Government and account for “their share” of Council Tax discounts. Any difference between the costs of the local scheme and the grant received will therefore be met by this Council and the other precepting authorities, through the distribution of net Council Tax income in the Collection Fund.

### **IMPORTANT DEVELOPMENTS AND LOOKING TO THE FUTURE**

#### **Customer Access and Office Accommodation**

The Council has committed to review its future accommodation needs in light of technological, financial and social changes, and to consider as part of this review how customers will access council services in future. A business case has been developed which has set out options, costs and benefits to enable the Council to agree and implement a fit for purpose future strategy.

#### **Taunton Deane and West Somerset Councils Joint Working Project**

West Somerset Council, like most local authorities, is facing significant financial challenges. Cuts to funding from Government and the wider recession have placed the Council in a difficult position. One of the strategies for achieving a sustainable future for West Somerset was to explore opportunities for Joint

Management and Shared Services between councils. In March 2013, this Council committed itself to a project to explore opportunities for TDBC and West Somerset to work together, and the Councils prepared a Strategic Business Case to explore whether joint working would help both Councils achieve:

- A sustainable future for both democratically-independent organisations
- Reduced net costs – major financial savings (reduced staff numbers, reduced duplication of systems and processes)
- Improved resilience – protecting each Council further against the risk of service failure
- Effective, efficient and affordable service delivery (developing a flexible approach to service delivery)

The Strategic Business Case has been developed and approved by both Councils to support the vision of:

- A single, fully-merged, affordable officer structure serving two separate, sovereign Councils each responsible for the government of their own area, acting independently of each other much of the time
- The ability for Members to make local decisions on the quality and level of service will be preserved.

In addition, it is hoped that the joint working arrangements could progress some other ambitions for the Councils such as retaining local employment and promoting high quality customer access (retaining face-to-face presence in both localities). The business case will deliver savings for both Councils, with expected cumulative savings of £1,182k for this Council built into our budget.

Following the implementation of the Joint Management Structure and the delivery of shared services between West Somerset and Taunton Deane, the Councils will focus on the transformation of services to further meet the ambitions of the Councils and provide further opportunities for savings.

NB. We have received a Transformation Grant of £750k from Government (£600k to TDBC and £150k to WSDC), to help fund our transformation agenda.

### Budget Challenges

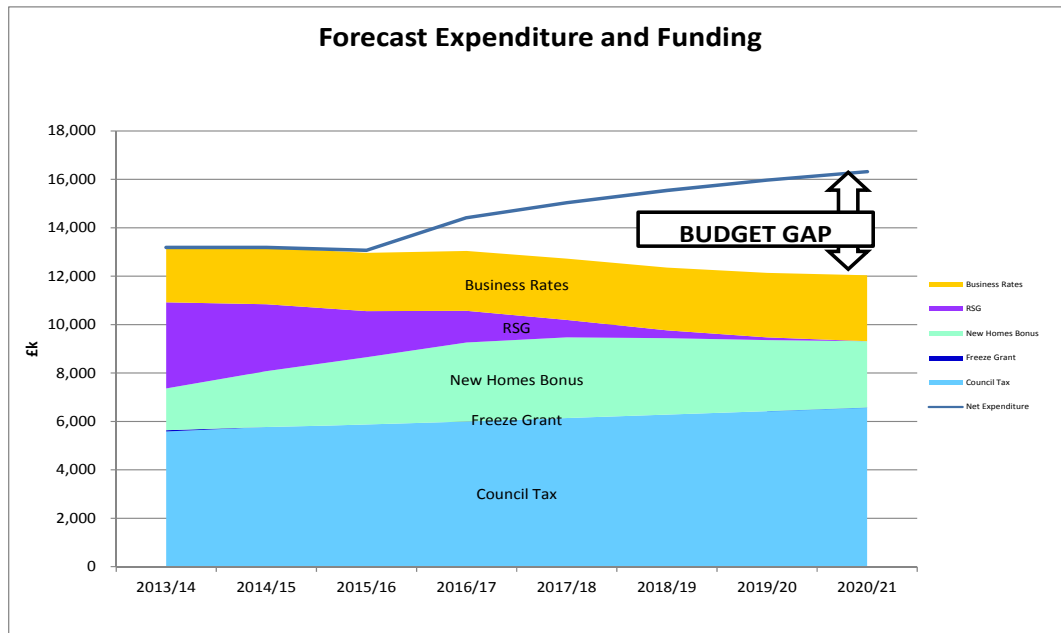
For 2014/15 the Council has produced a balanced budget with a 1.99% increase in basic Council Tax (Band D Tax increases to £137.88). The Net Budget for the year is £13.2m, funded as shown in the table below.

	£k
Revenue Support Grant	2,766
Retained Business Rates	2,346
Other Unringfenced Government Grant (New Homes Bonus)	2,303
Previous Year's Collection Fund Surplus	34
Council Tax	5,739
Net Expenditure Budget	13,188

With the ongoing pressure on the wider economy, the Government has been clear on the continued need for cuts in public sector spending. Our general grant has again been cut this year by some £0.790m (22.2%). For 2014/15, New Homes Bonus has increased by £0.576m (33%). This mitigates the reduction in general grant funding but does not eliminate it. We are being prudent in our financial planning, and we believe there will be further cuts and are planning for a further reduction in funding of around 24%, or £1.4m, by 2016/17, as reported in the Council Report of 25<sup>th</sup> February 2014.

The Medium Term Financial Plan demonstrates the scale of the projected financial challenge, with an estimated cumulative Budget Gap of £3.2m to be addressed by 2018/19, as reported to Council when the 2014/15 Budget was approved in February 2014. This represents a further 24% reduction in the current Net Budget. The following graph shows the scale of the challenge.

The forecast budget gap is relatively small for 2015/16 (£104k) but will need to be addressed when considering the forward budget in order to mitigate the cumulative effect on future funding gaps.



The Council approved a new Corporate Business Plan in 2012/13 setting out the vision, ambitions and objectives for the Council – see above. Although the Council has previously been successful in balancing its budget, there is ongoing pressure to reduce spending and at the same time meet the Council’s ambitions for growth and regeneration which are seen as a catalyst for sustaining and improving the local economy. The Plan provides transparency for customers and staff on the direction the Council is heading in and service delivery priorities. The Council will need to react flexibly to this strategic approach – by using reserves to smooth the impact of the cuts over this period if necessary – and will continue to look at innovative ways to deliver and charge for services.

New Homes Bonus Grant has become a significant element of the Council’s funding streams. The amount of Grant we receive is based on growth in housing, with a top-up related to growth in affordable housing. The Grant in 2014/15 is £2.3m (2013/14 £1.7m), and this is projected to rise to around £3.3m per year by 2017. The Council is using around £0.4m of this Grant each year to support the annual budget, and the remaining balance received to date, some £2.4m, has been committed to support the Council’s growth and regeneration ambitions and is not currently planned to be used to address the Budget Gap shown above.

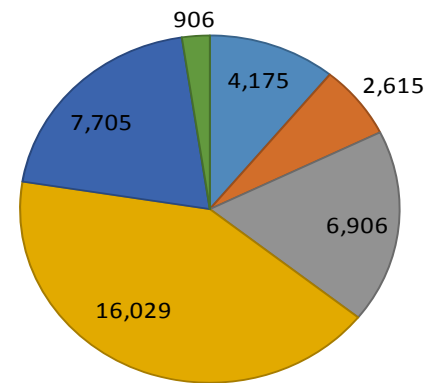
**Capital Expenditure Plans and Funding**

The Council has recognised that significant capital investment is required over the next 5 to 10 years. When the budget was approved for 2014/15, this included known priorities that are affordable from projected capital resources. The Capital Programme that Members approved has committed the Council to spending £38.3m on General and HRA capital projects, with the majority of this expenditure expected to be incurred in the next two years.

The Council has also recently committed to building a new swimming pool with learner pool and spa located at the Blackbrook Pavilion in Taunton, which added £5.4m to the approved Programme in 2013/14. The current approved Capital Programme is therefore summarised as follows:

	GF £k	HRA £k	Total £k
New Swimming Pool	5,353		5,353
Station Road Pool Refurbishment	1,515		1,270
Car Park Improvements	936		503
Affordable Housing	1,597		1,597
Firepool Access	1,500		1,500
Thales	800		800
JMASS	1,010		1,010
SCCC loan	1,000		1,000
DLO Vehicles & Equipment	698		698
Disabled Facilities Grants	678		287
Other General Fund Schemes	2,885		2,885
HRA Capital Maintenance Works		8,021	8,021
Social Housing Developments		12,343	12,343
	17,972	20,364	38,336

### Capital Funding £k



- Capital Receipts
- Capital Grants and Contributions
- Reserves
- Borrowing
- Major Repairs Reserve
- Revenue Contributions

The expenditure will be funded from a variety of sources and will require some capital borrowing. As part of the HRA Business Plan, a new Social Housing Development Fund was created in 2012/13, to provide revenue resources to contribute to growth in council house provision. In addition, following a Government move to enhance the incentives for tenants to purchase their homes under the Right to Buy scheme (see below), the amount of Right to Buy capital receipts have increased. The chart to the right shows how the above expenditure is initially proposed to be funded. However, we will use our resources flexibly so that where for example capital receipts exceed our estimates, we will use these before borrowing to minimise our financing costs.

### Southwest One

Southwest One is a key joint venture partnership between Taunton Deane Borough Council, Somerset County Council, Avon and Somerset Police and IBM that was established in 2007 to deliver back office and customer services and a number of wider transformation projects. The Council has a 10 year contract with Southwest One and there are less than three years remaining. The establishment of the joint venture was a major project in itself that took several years to implement, and it is appropriate that the Council now starts to prepare for beyond the existing contract terms. During the last 12 months the Council, following changes to the services being supplied to Somerset County Council, has returned services to in-house provision.

### Welfare Reform – Benefit Changes

In addition to the changes introduced in the past year, the Government has also made clear its intentions to reform the benefits system, with a number of changes being introduced or considered in relation to entitlement to Housing Benefit. It is recognised that these changes will have an impact on citizens within the Borough, which may impact on demand for local services such as benefits and housing advice, and also potentially the finances of the Council in terms of costs of impacted services and may also affect income collection. The Council will incorporate the estimated impact within its Service Planning and Medium Term Financial Plan.

Linked to the reform of benefits is the expected transfer of benefit fraud investigation from local authorities to the DWP, as a "Single Fraud Investigation Service". This will reduce the costs to the Council, and is also expected to result in a reduction in Housing Benefit Administration Grant Funding. Indications are that this will happen in June 2015.

## 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](http://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](mailto: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 Director of Operations.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

### The Director of Operations is required to:

The Director of Operations 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) Code of Practice on Local Authority Accounting in the United Kingdom (referred to as the Code).

In preparing this Statement of Accounts, the Director of Operations 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 Director of Operations 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 2014 and its income and expenditure for the year ended 31 March 2014.

S Adam FCCA  
Director of Operations  
Section 151 Officer

30 June 2014

## TAUNTON DEANE BOROUGH COUNCIL

### ANNUAL GOVERNANCE STATEMENT 2013/14

#### 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 is 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 2011 in relation to the publication of statement on internal control.

**Public communication** – local public sector bodies serve every part of society and have a statutory duty to communicate with the general public and other stakeholders about their financial and governance arrangements. Local government and the public sector more widely is changing at a rapid rate, therefore greater clarity is required in public reporting to give greater transparency and to address the demands of the interactive expectations of the public.

#### Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values, by which the Council is directed and controlled and the 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 of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives and 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 2014 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 Business Plan (2013/14 – 2015/16) which was developed after detailed consultation work with councillors and all political groups and following an external peer review by the Local Government Association (LGA). It sets out a new Vision, four corporate aims, and a series of high level actions to achieve its aims and transform the council, ensuring statutory requirements are met whilst being fit for purpose, addressing funding pressures and setting a balanced, sustainable budget. The Corporate Business Plan 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 Business Plan to show how each service will contribute to the delivery of the Corporate Aims and its service objectives.

Hyperlink to TDBC Corporate Business Plan: [TDBC Corporate Business Plan](#)

- The council has developed and approved a new 'Growth Prospectus for Taunton' which feeds into a higher-level Somerset Growth Plan – this document sets out an ambitious vision, commitment and a clear direction for the growth of Taunton's economy over the period to 2028, together with an outline of the key schemes needed to deliver Taunton's full economic potential. In addition, a project was completed in 2013 to deliver a 'Taunton Rethink', which is a short sharp health-check of the Taunton Vision, and sets out a refreshed set of ambitions and plans for the future of Taunton Town Centre. A robust Programme Management approach and governance structure is being established in 2014 to coordinate the delivery of the council's growth outcomes.
- The 2013/14 Performance Outturn Report and Annual Accounts review our performance over the last year. An Annual Report is also published highlighting some practical examples of our activities, achievements, financial position and performance.
- The council's Joint Management Team, Scrutiny Committees and the Executive review our performance and delivery of the strategic and service delivery plans and priorities on a quarterly basis. All performance and finance reports are published on the council's website.
- Additional performance monitoring reports for key service delivery partners are also reviewed by the management team and Scrutiny committees (e.g. Southwest One, Somerset Waste Partnership, Tone Leisure).
- The Taunton Deane Partnership comprises key agencies within the public and voluntary sectors that seek to tackle both urban and rural deprivation. The focus of activity within Taunton is North Taunton, Taunton East, Wellington and the rural areas. The TDP have prepared the Priority Areas Strategy and Action Plan (PAS). This was developed through extensive consultation and engagement. The PAS contains four themes: building strong communities, improved access to services, improving the lives of the most vulnerable families and improving the look and feel of priority areas. A revised version of the PAS will be published in summer 2014. The TDP also supports the delivery of the Troubled Families agenda and the Somerset Health and Wellbeing Strategy
- Actively supporting the Halcon One Team model which recognises the government agenda of joining up public services at the point of delivery. This model is a new 'way of working' (as opposed to a formal project) and has delivered significant outcomes to the community particularly around reduced crime, as well as the deployment of existing resources more effectively 'on the ground' reducing costs to the public purse. Our structure proposals look to extend this model across other parts of Taunton Deane. Governance arrangements exist with the involvement of senior officers and Portfolio Holders at Strategic, Tactical and operational levels.
- To ensure the council makes best use of resources and provides value for money to service users, Service Plans and service profiles have been developed, which include: financial and

personnel resources and performance and service cost comparisons with other similar authorities (benchmarking). Work is continuing to build benchmarking data into on-going performance reports.

#### Joint Management and Shared Services:

- TDBC & WSC jointly developed a business case for joint management and shared services. The business case went through the democratic process and was approved by both Councils in Nov 2013.
- Between Jan-Mar 2013, the management teams from both councils met on various occasions to discuss and develop the expectations and vision for a partnership. The Leaders from both councils also worked together early on in the process to ensure they held common aims and expectations.
- During the development of the Business case a Joint Members Advisory Panel (JMAP) was established – JMAP. This included 4 members from each council. Following the approval of the business case, this has developed into the Joint Partnership Advisory Panel (JPAG), with a similar format, 4 members from each council and also now includes the leader from each council.
- An elected member development programme is also in the process of being developed with the support of the LGA/member peers and a member representative from each council.
- Communications plans during the business case development and since approval, have included activities to keep members from both councils informed of proposals and actions underway. These activities have included member briefing sessions at key stages of the process.
- Outcomes and benefits to the community include - Value for money services, Attracting funding to the council to improve the council and maintain level of service delivery, Maintaining local democracy and a greater local/regional/national influence/ representation as a partnership than as individual councils.

#### **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. The Constitution was reviewed and updated in January 2014 to reflect the TDBC / West Somerset Council 'JMASS' project.
- The Statutory Officers meet as a Corporate Governance Group. The Monitoring Officer and S151 Officer are members of the Joint Management Team (JMT) and the Senior Leadership Team (SLT) which meets weekly and regularly considers governance issues.
- The Group Leaders, Chief Executive and other relevant key officers meet regularly to share information and discuss any issues for the authority.
- The strategic direction of the organisation and sponsorship of key objectives and priorities is undertaken by the Joint Management Team, which consists of the Directors, Assistant Directors, Assistant Chief Executive and a representative of Southwest One – who meet on a monthly basis with the Chief Executive. In addition to this the Chief Executive, Assistant Chief Executive and Directors (the Senior Leadership Team) meet on a weekly basis.
- The Council's Lead Officers meet monthly along with the members of JMT. Many items are discussed. The expectation is that key messages are shared back to teams through team meetings.
- The Leader and Chief Executive meet on a monthly basis in order to maintain a shared understanding of roles and objectives.
- The statutory roles of Monitoring Officer and Chief Finance Officer and Head of Paid Service are well established with their own control regimes to enhance the control environment. These roles

are embedded within the new Joint Management structure. In the new JMT arrangements in place since Jan '14, the Assistant Chief Executive and Monitoring Officer is a member of the Senior Leadership Team alongside the Chief Executive and s151 Officer / Deputy CEO / Director of Operations (two deputies are also appointed and are available to cover both WSC and TDBC)

- There is a member/officer protocol that sets out the standards of behaviour expected to ensure a good working relationship between members and officers.
- Portfolio holders and the shadow portfolio holders meet key officers on a regular basis to discuss relevant issues within their portfolio.
- The financial management arrangements are reviewed 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) as set out in the Application Note to Delivering Good Governance in Local Government: Framework. From Jan 2014 onwards, the Chief Financial Officer and Section 151 provision is covered by the Director – Operations as part of the TDBC/WSC Joint Management now in place. The Chief Financial Officer is a CCAB qualified accountant and is responsible for maintaining a robust system of internal control
- TDBC is part of a partnership called Southwest One. We are represented on the main Southwest One Board, which meets quarterly, through a nominated elected member. The Board is responsible for setting the strategic direction of the company and for its financial performance
- The Assistant Director – Corporate Services meets on a monthly basis with Southwest One's CEO and Senior Responsible Officers of the other two partners, to discuss strategy and broad operational issues. They also meet on a monthly basis with the Southwest One Director of Service Operations and the Heads of Client of the other two partners, to discuss day to day operational issues

#### Joint Management and Shared Services:

- A transparent, equitable and fair recruitment process has been developed with input from Unison and JPAG to support the re-structure phase of the partnership. The 'Creating a shared workforce and transition redundancy policy' report was presented to and approved by both councils in Nov 2013
- The Chief Executive meets monthly with the Leader of TDBC and Leader WSC individually and again with both Leaders together on a monthly basis.
- All staff briefings are held monthly with sessions at West Somerset House and Deane House. These are headed up by the CEO and Assistant Chief Executive with support from other Directors and Assistant Directors as required. Senior management Team (SMT) briefings are also being held to disseminate information at key stages of the restructure process.

#### **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 Localism Act 2011 made a number of changes to the Standards Regime which was implemented by the Council in July 2012. The Council decided to keep a Standards Committee. The Committee is politically balanced with five elected members, three independent co-opted members and two parish council representatives. In addition the Council also appointed an Independent Person and a reserve Independent Person. The terms of reference for the Committee are set out in the Constitution set out at

<http://www.tauntondeane.gov.uk/irj/public/council/councillors/councillor?rid=/wpccontent/Sites/TDBC/We b%20Pages/Council/Councillors/Taunton%20Deane%20Standards%20Committee>

- 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, and deals with any formal complaints as required.

- The Council has a set of four Core Values and Business Principles which underpin and support the Council's Vision, and reflect its fundamental beliefs as an organisation and guide how it deals with staff, customers and partners.

Core Values:

- **Integrity** – we will be honest, do what is right and stick to it
- **Fairness** – we will consistently treat everyone as an equal, respecting their individual needs and abilities
- **Respect** – we will always show respect for everyone
- **Trust** – we will show trust and confidence in our staff and customers

Business Principles:

- **Quality Services** – ensuring the delivery of accessible, quality services that provide good value for money (either as direct providers or through partnership)
- **Customer Driven** – we will put the needs of our customers at the heart of all that we do
- **A dynamic organisation** – innovative, forward-looking and focussed on results
- **Environmentally Responsible** – we will minimise the environmental impact from our operations

- Managers are responsible for ensuring that staff operate within council policies, procedures and legislation and for the management of risk and maintenance of risk registers.
- A complaints procedure is in place for the Council to receive and investigate any complaint made against Borough or Parish members.
- Internal and External audit work together to review and provide annual opinions on the control framework, governance and validity of the annual accounts.

Joint Management and Shared Services:

- The Joint Partnership Advisory Group (JPAG) that provides the member governance for the JMASS programme encourages mutual working and trust between the member representatives.
- A Member development programme is in development and will encourage opportunities for TDBC/WSC members to meet and work together. There is also the potential in the future for joint committees e.g. Audit/Standards.
- The project mandate, agreed by both councils, included the non-negotiable issues and these were reflected throughout the development of the business case. e.g., retain sovereignty/no cross subsidy.
- The trust and respect of and between the councils and management has been key to the speed of progress that has been made. Following the appointment of the Joint Chief Executive and the establishment of the Joint Management team (in place by Jan 2014) there has been the promotion and endorsement of a 'One Team' culture across both councils. This approach is also under-pinned by the agreed employment model where people appointed in the new structure are employed by TDBC.
- Additional HR resource (from SCC and via internal secondment) has been drafted in during the development of the business case and latterly as the restructure gets underway to support the recruitment process.
- A Joint Unison Board (unison reps from TDBC & WSC) was established at an early stage of the partnership process (first meeting held Mar '13). JUB meet monthly and are consulted at all stages of the process e.g. Employment model, recruitment process, Job evaluation process

**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. The Monitoring Officer is responsible for the Constitution.

- 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 on a monthly basis. The Forward Plan was amended in line with the Local Authority (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 and now has a column to indicate where it is anticipated that confidential items are likely to be discussed and allows for representations to be made to state why a decision should not be made in private session. To date no representations have been received.
- 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 in place a Risk Management Policy and Strategy, and maintains a Risk Management Action Plan which ensures that Risk Management is embedded within the Council and aligned with our partner organisations. The strategy sets out clear limits of responsibility for risk management across the Council. Major projects and partnerships also have risk registers in place and JMT has reviewed and refreshed the Corporate Risk Register during the course of the year
- Council committee reports include a standard section for the consideration of risks, which informs decision-making.
- 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.
- The council's Fraud and Whistle-blowing policies were updated during 2013/14.

#### Joint Management and Shared Services:

- Savings from the Joint Management and staffing restructure were based on a budget envelope to ensure the required savings would be achieved.
- The business case identified savings from joint management and staffing restructure was based on a budget envelope to assure savings are achievable. Anticipated savings from the future transformation phase were not included because they will be reliant on the appetite of members for change and cannot be anticipated with enough assurance at this stage.
- Reports will be submitted to keep Members informed and to enable the consideration of business cases and the shaping of shared services from 2014/15 onwards.
- There are also differences (e.g. Housing stock/coastal management) which can still be brought together under the joint management structure, although the scope for savings in these areas through joining services is obviously more limited

- Staff briefings held throughout the process have clearly stated the reasons and advantages of the partnership. A monthly project newsletter was produced during development of the business case to keep staff informed and this has been replaced with the 'One Team' newsletter.
- A risk register was developed and maintained as part of the business case process and was monitored and managed by the project board and JMAP. Following approval of the business case an implementation risk register has been drafted and this is monitored and managed by the project board and JPAG.
- Risks associated with the Partnership project are also included in the joint TDBC/WSC Corporate risk register as appropriate.

#### **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.
- A 'Programme Management Group' oversaw and monitored the Council's programme of major projects during 2013/14 – a key role was to understand capacity and resourcing issues within project delivery, and report to JMT to enable these issues to be addressed. The council's approach to programme management for corporate transformation and growth and development projects will be strengthened as part of the new 'JMASS' management structure during 2014/15.
  - All staff have a performance review and employee development (PRED) meeting with their manager. Performance is reviewed and an action plan for the next period is set. This assists the member of staff in the performance of their work, helps to develop their skills and identifies any training needs.
  - There have been a number of training opportunities for Members during 2013/14, and these will continue into 2014/15. A comprehensive Member Development programme will be developed in conjunction with the Member Development Champion (Cllr Gill Slattery) including training for all Councillors following the Borough Elections in May 2015.
  - As part of the annual planning processes the Learning and Development Lead liaises with all senior managers on the training plans before preparing a plan for JMT approval. Work is currently underway regarding an organisational development programme to ensure that staff appointed into the new 'JMASS' structure have the appropriate support, training and development to be effective in their new roles.
  - In addition to this there is a corporate training plan developed every year to meet corporate needs. This year the Corporate Business Plan is being used as the baseline for identifying needs and this also links to the emerging Workforce Plan.
  - 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.
  - All Executive reports are required to include an Equalities Impact Assessment to ensure that members make decisions with a clear understanding of the impacts on groups with protected equalities characteristics.
  - The Council has regular member briefings and training opportunities (such as Finance) 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.

#### **Joint Management and Shared Services:**

- The business case includes an ICT programme including technologies to enable managers and staff are able to work effectively across the disparate office locations. This includes a dedicated secure communications line that has been installed between Deane House and West Somerset



House. A trust domain has also been established to enable both MS Outlook instances to be integrated, including calendars. Work is underway to combine/integrate building access control systems at both locations.

### **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. A corporate Consultation Register is maintained.
- The Council's vision and priorities are regularly communicated to the Community through the Somerset County Gazette, especially through the 'Deane Dispatch' page each month.
- The Council produces an Annual Statement of Accounts. The Council Tax booklet shares with Council Tax and Business Rate payers, details on the Council's financial position (i.e. a summary of the Statement of Accounts), priorities, and other useful information and is available on line and also available in paper format on request.
- 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.
- A Tenants Services Management Board has been set up, whose members include tenants and councillors. This board holds the Housing Service to account including performance and expenditure and helps shape the direction of the service. Other groups such as the Tenants Forum and Sheltered Housing Forum also allow tenants to have a strong voice in ensuring accountability of the Housing service.
- The Council encourages all types of feedback (complaints, compliments, comments & suggestions) from a number of channels (website, telephone, e-mail/letter, face-to-face), and these are logged on a central database for analysis and review. A Customer Feedback Guidance & Process document is available for Managers and Officers to deal with feedback consistently and effectively.
- Corporate use of social media ('Twitter') is being trialled during 2013-14, and a policy is being developed
- The corporate communications function has been moved into the corporate centre under the responsibility of the Assistant Chief Executive – this will enable closer links with elected Members and the Democratic Services function. Various communication methods are in place to ensure effective internal communications (e.g. Core Brief / 'One Team' newsletters, staff briefings / Senior Management Team / Leads meetings)

#### **Joint Management and Shared Services:**

- A communications plan was developed to support the business case process which included keeping community groups and key stakeholders informed.
- A press briefing was held on 1<sup>st</sup> Oct '13 to ensure the media were kept in the loop and able to report accurately on the business case proposals.
- TDBC's Weekly Bulletin and WSC's Community Matters have also been used to communicate information at key stages.
- Communications, since the Business case approval has been focused internally (for staff and members), which is appropriate to this stage of the process.
- The communications plan is being updated for the next stage of the process and successes at key stages will be communicated to the public as appropriate

- The monthly staff briefings, regular member briefings and the monthly newsletters, which are circulated to all members and officers, are the key communication channels at this stage of change. These help to reinforce the 'One Team' ethos, highlight successes, future proposals and developments in the transformation phase of the project.

### 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 and external auditors.

The review for the 2013/14 statement was led by the Corporate Performance Lead Officer, supported by the Monitoring Officer (Assistant Chief Executive), the Deputy Section 151 Officer (Assistant Director – Resources), and the Council's Audit Manager. The process that has been applied to maintaining and reviewing the effectiveness of the governance framework include:

- **South West Audit Partnership** - Internal Audit (SWAP) is subject to regular inspection by the Council's external auditors who place reliance on the work carried out by Internal Audit. In addition, the s151 Officer carries out a review annually. A summary of the Internal Audits undertaken during 2013/14 where level 4 ( ) and 5 ( ) recommendations together with their mitigating actions and an update on progress of these is attached as Appendix B
- **Grant Thornton** (as external auditors)
- **Local Partnerships** (subsidiary of the LGA) - undertook the assurance review of the Joint Management and shared services business case)
- **Corporate Governance Committee** - reviews the effectiveness of Internal Audit, and the Annual Governance Statement. It receives reports from internal audit on a quarterly basis and agrees Internal and External Audit Plan
- **Standards Board**
- **Executive committee**
- The **monitoring officer** has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are adequate. The Council reviews the constitution regularly – the latest review being undertaken in March 2013.
- The Council's **Financial Regulations** are kept under continuous review – the last review was approved in December 2012

The conclusion of the review is that, overall, the governance arrangements are robust and are working effectively. 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 2013/14.

High priority recommendations were made in the following areas from audits during 2013/14 - these continue to be included on the council's action plan for 2014/15:

- Strengthening of contractual arrangements
- Creditors – purchase ordering and new creditor authorisation processes
- Equality & Diversity – compliance with requirements and duties
- Fraud – improve awareness of Corporate Counter Fraud & Corruption policy & strategy
- Information governance – introduce a confidentiality code of practice

**ACTION PLAN**

Area	Action	Who	When
Strengthen contractual arrangements	Address legacy arrangements that are in place where contracts have expired	Paul Fitzgerald	Qtr 2
	Develop a process to keep Contracts register up to date to ensure it is an accurate reflection of contracts in place.	Paul Fitzgerald	Qtr 2
Creditors – purchase ordering and new creditor authorisation processes	Ensure vendor checks are undertaken to confirm change of details are correct.	Paul Fitzgerald	Qtr 2
	Retrospective PO still occurs – address the on-going issue from the previous year.	Paul Fitzgerald	Qtr 3
Equality & Diversity – compliance with requirements and duties	Monitor compliance and adherence to the TDBC Equalities framework.	Simon Lewis	Qtr 3
	Increase awareness of the TDBC framework and expectations (staff training and awareness).	Simon Lewis	Qtr 2
Fraud	Improve awareness of the approved Corporate Counter Fraud & Corruption policy & strategy	Paul Fitzgerald	Qtr 3
Information governance	Introduce a confidentiality code of practice	Richard Sealy	Qtr 3
Priority Area Strategy	Improve clarity surrounding the ownership of reviewing the outcomes of PAS, bringing this information to a central point.	Simon Lewis	Qtr 2
	Introduce a defined reporting structure to formally inform the dashboards.	Simon Lewis	Qtr 2

The Council proposes over the coming year to take steps to address the above matters in order to further enhance our governance arrangements. Regular reports will be made to the Corporate Governance Committee on the 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.

Signed:

Signed:

Cllr John Williams

Penny James

## **Independent Auditors Report to the Members of Taunton Deane Borough Council**

### **Draft Opinion on the Authority financial statements**

We have audited the financial statements of Taunton Deane Borough Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14. 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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Director – Operations and auditor**

As explained more fully in the Statement of the Director – Operations Responsibilities, the Director – Operations is responsible for the preparation of the Statement of Accounts, which includes the financial Statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director – Operations and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

## **Opinion on financial statements**

In our opinion the financial statements: give a true and fair view of the financial position of Taunton Deane Borough Council as at 31 March 2014 and of its expenditure and income for the year then ended; and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

## **Opinion on other matters**

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

### **Matters on which we report by exception**

We report to you if:

in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; we issue a report in the public interest under section 8 of the Audit Commission Act 1998; we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or we exercise any other special powers of the auditor under the Audit Commission Act 1998. We have nothing to report in these respects.

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

### **Respective responsibilities of the Authority and the auditor**

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

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

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

### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

**Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are 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 ended 31 March 2014.

**Certificate**

We certify that we have completed the audit of the financial statements 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.

Peter A Barber  
Associate Director  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor  
Hartwell House  
55-61 Victoria Street  
Bristol  
BS1 6FT  
22 September 2014

# STATEMENT OF ACCOUNTING POLICIES

## 1. Accounting Policies

### i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year-end on 31 March 2014. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, 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 2013/14 ('the Code') and the Service Reporting Code of Practice 2013/14 ('SERCOP'), 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. 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 or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless 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.

#### **v. Charges to Revenue for Non-Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current (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 amortisation. 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 amortisation are therefore replaced by the contribution (Minimum Revenue Provision, 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.

#### **vi. Employee Benefits**

##### **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled wholly 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 employees 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 entitlements 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's decision to accept 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 pension's 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 4.5% (based on the annualised yield at the 19 year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of IAS19 and with the consideration of the duration of the Employer's liabilities).
- 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 pension liability is analysed into the following components:

**Service cost comprising:**

- current service cost – the increase in liabilities as a 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
- net interest on the net defined benefit liability – i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

**Remeasurements comprising:**

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

**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 transfers 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 that arises 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.

**vii. 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.

## **viii. 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 are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective 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 measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year according to the loan agreement.

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

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

### **Available-for-Sale Assets**

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

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

## **ix. 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 in the form of 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 and Expenditure (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.

### **Community Infrastructure Levy**

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions as set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure.

### **x. Heritage Assets**

The recognition of Heritage Assets was a requirement introduced by the Code in 2011/12. Heritage Assets are recognised and measured in accordance with the Council's accounting policies on Property Plant and Equipment. However some of the measurement rules are relaxed in relation to heritage assets. The Council's Heritage Assets recognised on the balance sheet are Civic Regalia.

The valuation of the Council's heritage assets is based on the insurance values. The carrying amounts of heritage assets are reviewed where there is evidence of impairment, e.g. where an item has suffered physical deterioration or breakage or where doubts arise to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment see note xviii in this summary of significant accounting policies. The proceeds for the sale of Heritage Assets are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

### **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. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(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 interests in companies and other entities that have the nature of associates and trust funds but these are not material interests and therefore do not require group accounts to be prepared.

#### **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 for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated 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 venture's, with the assets being used to obtain benefits for the venture's. 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 from 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 Service Reporting Code of Practice 2013/14 (SeRCOP). The total absorption costing principle is used as a basis for setting support service budgets. Actual figures are calculated on budget and then the difference (if not material) is charged to Corporate and Democratic Core. If the balance was material then the allocation would be reviewed. The 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 SeRCOP 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. The Council has a discretionary de minimus level for recognising Property Plant and Equipment of £10,000.

#### **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 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).

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

### **Disposals and Non-Current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, 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 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 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.

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

**xxiii. VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue & 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 (NDR)**

The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area. The new arrangements for the retention of business rates came into effect on 1 April 2013. As a billing authority we must include on the Balance Sheet the following:

- Our share of non-domestic rates debtors (net of the impairment allowances for doubtful debts)
- Our share of creditors for overpaid/pre-paid non-domestic rates
- A debtor for each major preceptor and Central Government for cash paid to them in advance of receipt from non-domestic rate payers
- A creditor for rates collected and not paid for
- A debtor/creditor for the difference between safety net payments made on account and the actual safety net payment due
- A creditor for the actual levy payment due.
- A provision for refunding ratepayers, who have successfully appealed against the rateable value of their properties on the rating list. This will include amounts relating to non-domestic rates charged to businesses in 2012-13 and earlier financial years.

## 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
<b>Balance as 31 March 2012 carried forward</b>	<b>3,336</b>	<b>6,598</b>	<b>1,356</b>	<b>474</b>	<b>916</b>	<b>0</b>	<b>2,696</b>	<b>15,376</b>	<b>135,818</b>	<b>151,194</b>
Prior Period Adjustment	0	0	0	0	0	0	0	0	0	0
<b>Balance as 1 April 2012 carried forward</b>	<b>3,336</b>	<b>6,598</b>	<b>1,356</b>	<b>474</b>	<b>916</b>	<b>0</b>	<b>2,696</b>	<b>15,376</b>	<b>135,818</b>	<b>151,194</b>
<b>Movement in Reserves during 2012/13:</b>										
Surplus or (deficit) on provision of services	409	0	4,156	0	0	0	0	<b>4,565</b>	0	<b>4,565</b>
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	5,756	<b>5,756</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>409</b>	<b>0</b>	<b>4,156</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,565</b>	<b>5,756</b>	<b>10,321</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	671	0	(1,982)	0	4,872	2,198	(1,764)	<b>3,995</b>	(3,995)	<b>0</b>
<b>Net Increase/Decrease before transfers to Earmarked Reserves</b>	<b>1,080</b>	<b>0</b>	<b>2,174</b>	<b>0</b>	<b>4,872</b>	<b>2,198</b>	<b>(1,764)</b>	<b>8,560</b>	<b>1,761</b>	<b>10,321</b>
Transfers (to)/from Earmarked Reserves (Note 8)	(911)	911	(845)	845	0	0	0	0	0	0
Other movements*	438	0	(438)	0	0	0	0	0	0	0
<b>Increase/(Decrease) in 2012/13</b>	<b>607</b>	<b>911</b>	<b>891</b>	<b>845</b>	<b>4,872</b>	<b>2,198</b>	<b>(1,764)</b>	<b>8,560</b>	<b>1,761</b>	<b>10,321</b>
<b>Balance at 31 March 2013 carried forward</b>	<b>3,943</b>	<b>7,509</b>	<b>2,247</b>	<b>1,319</b>	<b>5,788</b>	<b>2,198</b>	<b>932</b>	<b>23,936</b>	<b>137,579</b>	<b>161,515</b>

\*The other movements represent reclassifications between the HRA and the General Fund earmarked reserves.

## 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
<b>Balance as 31 March 2013 carried forward</b>	<b>3,943</b>	<b>7,508</b>	<b>2,246</b>	<b>1,319</b>	<b>5,788</b>	<b>2,198</b>	<b>932</b>	<b>23,935</b>	<b>137,579</b>	<b>161,514</b>
<b>Movement in Reserves during 2013/14:</b>										
Surplus or (deficit) on provision of services	(1,924)	0	3,511	0	0	0	0	<b>1,587</b>	0	<b>1,587</b>
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	<b>0</b>	11,291	<b>11,291</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(1,924)</b>	<b>0</b>	<b>3,511</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,587</b>	<b>11,291</b>	<b>12,878</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	5,601	0	(2,985)	0	136	266	(172)	<b>2,844</b>	(2,844)	<b>0</b>
<b>Net Increase/(Decrease) before transfers to Earmarked Reserves</b>	<b>3,677</b>	<b>0</b>	<b>527</b>	<b>0</b>	<b>136</b>	<b>266</b>	<b>(172)</b>	<b>4,432</b>	<b>8,447</b>	<b>12,878</b>
Transfers (to)/from Earmarked Reserves (Note 8)	(5,501)	5,501	705	(705)	0	0	0	<b>0</b>	0	<b>0</b>
Other Movements	418	0	(418)	0	0	0	0	<b>(0)</b>	0	<b>(0)</b>
<b>Increase/(Decrease) in 2013/14</b>	<b>(1,406)</b>	<b>5,501</b>	<b>813</b>	<b>(705)</b>	<b>136</b>	<b>266</b>	<b>(172)</b>	<b>4,432</b>	<b>8,447</b>	<b>12,878</b>
<b>Balance at 31 March 2014 carried forward</b>	<b>2,537</b>	<b>13,009</b>	<b>3,059</b>	<b>614</b>	<b>5,924</b>	<b>2,464</b>	<b>760</b>	<b>28,367</b>	<b>146,026</b>	<b>174,393</b>



## 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.

2012/13			2013/14			
Gross Expenditure	Gross Income	Net Expenditure (Restated)	Gross Expenditure	Gross Income	Net Expenditure	
£'000	£'000	£'000	£'000	£'000	£'000	
8,512	(7,582)	930	Central Services to the Public	1,866	(714)	1,152
3,605	(587)	3,018	Cultural and Related Services	4,109	(654)	3,455
7,616	(2,498)	5,118	Environmental and Regulatory Services	7,788	(2,336)	5,452
3,962	(1,466)	2,496	Planning Services	4,956	(2,254)	2,702
1,792	(3,884)	(2,092)	Highways and Transport Services	1,206	(3,888)	(2,682)
17,586	(24,332)	(6,746)	Local Authority Housing (HRA)	19,405	(25,977)	(6,572)
33,547	(31,461)	2,086	Other Housing Services	35,002	(32,540)	2,462
2,385	(1,107)	1,278	Corporate & Democratic Core	2,913	(2,082)	831
(522)	0	(522)	Non distributed costs	261	0	261
<b>78,483</b>	<b>(72,917)</b>	<b>5,566</b>	<b>Cost of Services</b>	<b>77,506</b>	<b>70,445</b>	<b>7,061</b>
		(1,900)	Other operating expenditure (Note 9)			550
		5,604	Financing and investment income and expenditure (Note 10)			5,145
		(13,835)	Taxation and non-specific grant income (Note 11)			(14,374)
		<b>(4,565)</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>(1,588)</b>
		(7,265)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			(4,345)
		1,509	Remeasurement of the net Defined Pension Liability			(6,945)
		<b>(5,756)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(11,290)</b>
		<b>(10,321)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(12,601)</b>

## 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, i.e. those reserves that the Council 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'.

31 March 2013		Note	31 March 2014	
£'000	£'000		£'000	£'000
	206,400	Council Dwellings	12	209,892
	76,326	Other Land and Buildings	12	76,506
	5,926	Vehicles, Plant and Equipment	12	5,980
	10,584	Infrastructure Assets	12	10,420
	6,888	Community Assets	12	6,940
	2,645	Assets under construction	12	2,990
	<b>308,769</b>	<b>Total Property, Plant &amp; Equipment</b>		<b>312,728</b>
	141	Heritage Assets	13	141
	3,081	Investment Property	14	3,216
	454	Intangible Assets	15	436
	3	Long Term Investments	16	3
	341	Long Term Debtors	18	270
	<b>312,789</b>	<b>Long Term Assets</b>		<b>316,794</b>
291		Current Held for Sale Investment Property	14	544
8,009		Short term Investments	16	9,020
513		Assets Held for Sale	20	788
163		Inventories	17	156
4,699		Short Term Debtors	18	4,334
10,847		Cash & Cash Equivalents	19	17,249
	<b>24,522</b>	<b>Current Assets</b>		<b>32,091</b>
0		Short Term Borrowing	16	(2,073)
(11,180)		Short Term Creditors	21	(11,622)
(137)		Provisions	22	(1,297)
	<b>(11,317)</b>	<b>Current Liabilities</b>		<b>(14,992)</b>
	<b>325,994</b>			<b>333,893</b>
(94,379)		Long Term Borrowing	16	(92,306)
(70,100)		Other Long Term Liabilities	38	(67,194)
	<b>(164,479)</b>	<b>Long Term Liabilities</b>		<b>(159,500)</b>
	<b>161,515</b>	<b>Net Assets</b>		<b>174,393</b>
	23,936	Usable Reserves	23	28,367
	137,579	Unusable Reserves	24	146,026
	<b>161,515</b>	<b>Total Reserves</b>		<b>174,393</b>

## Cash Flow Statement

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

2012/13 Restated £000		2013/14 £000
4,565	Net surplus or (deficit) on the provision of services	(1,588)
12,447	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 25)	17,007
(5,735)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 25)	(2,927)
<b>11,277</b>	<b>Net cash flows from Operating Activities</b>	<b>12,492</b>
(5,891)	Investing Activities (Note 26)	(6,091)
(800)	Financing Activities (Note 27)	0
<b>4,586</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>6,401</b>
6,261	Cash and cash equivalents at the beginning of the reporting period	10,848
<b>10,847</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 19)</b>	<b>17,249</b>

## Notes to the Core Financial Statements

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

### 1. Prior-period adjustments

**The accounting standard IAS 19 – Employee Benefits has changed.**

#### Treatment of Pension Administration Costs

The standard requires that administration costs directly related to the management of plan assets and any tax payable by the plan itself, other than tax included in the actuarial assumptions used to measure the defined benefit obligation, are recognised as a reduction in the return on plan assets and recorded in Other Comprehensive Income and Expenditure.

The change in the standard means that other administration costs must not be deducted from the return on plan assets. Instead they are required to be shown in Surplus or Deficit on the Provision of Services. We have opted to include this amount in “Other operating expenditure in the Comprehensive Income and Expenditure”. We have had to restate 2012/13 as this is a retrospective requirement.

#### Interest Costs in relation to Current Service Cost

In 2012/13 we included in Note 10 Financing and Investment Income and Expenditure, a line for “Pension interest cost and expected return on pensions assets”. The new requirements have “split” these values and the line now contains the “net interest cost” only. The expected return on pensions assets is now shown within the Remeasurement of the Net Defined Pension Liability For this reason we have restated those lines in the notes and the “Comprehensive Income and Expenditure Statement”.

This change also impacts on the Cash Flow Statement and Note 25 as the distinction between the categories has changed.

#### Changes to the Comprehensive Income & Expenditure Statement (Page 44)

	2012/13 Statements £'000	Adjustments Made £'000
Other Operating Expenditure	(1,908)	8
Financing and investment income and expenditure	4,715	889
(Surplus) or Deficit on Provision of Services	(5,462)	897
Actuarial (gains)/losses on pension assets/liabilities	2,406	-897

Changes to the Movements in Reserves Statement (Page 42)Movement in Reserves Statement – Usable Reserves

	2012/13 Statements £'000	Adjustments Made £'000
Surplus or (deficit) on provision of services	5,462	897
Adjustments between accounting basis and funding basis under regulations	4,859	-897

Movement in Reserves Statement – Unusable Reserves

	2012/13 Statements £'000	Adjustments Made £'000
Other Comprehensive Income and Expenditure	4,859	897
Adjustments between accounting basis and funding basis under regulations	(3,098)	-897

Changes to the Cash Flow Statement (Page 46)

	2012/13 Statements £'000	Adjustments Made £'000
Net surplus or (deficit) on the provision of services	5,462	-897
Adjustments for items included in the net surplus or deficit on the provision of services for non-cash movements (Note 25)	11,550	897

Changes to Note 25 – Cash Flow Statement – Operating Activities (Page 46)

	2012/13 Statements £'000	Adjustments Made £'000
Other non cash items charged to the net surplus or deficit on the provision of services	(445)	897

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

The Authority has yet to adopt the following accounting standards:

- IFRS 10 Consolidated Financial Statements (May 2011)

IFRS 10 was issued in response to the financial crisis, during which there was significant criticism of accounting rules that permitted certain entities to remain off-balance sheet. The main change introduced by IFRS10 is a greater focus on which party has power over an entity rather than who has the majority of the risks and rewards.

This new standard comes into effect for accounting periods beginning on or after 1 January 2013 so does not affect the disclosures for 2013/14, but will need to be applied retrospectively to our accounts from 1<sup>st</sup> April 2014.

At the time of writing, the impact to our accounts is not fully known although based on our current arrangements is likely to be immaterial.

- IFRS 11 Joint Arrangements (May 2011)

IFRS 11 was issued at the same time as IFRS10 to improve the accounting for joint arrangements. It introduces a principle based approach that requires a party to a joint arrangement to recognise its rights and obligations arising from the arrangement. This will provide users with greater clarity about an entity's involvement in its joint arrangements.

This new standard comes into effect for accounting periods beginning on or after 1 January 2013 so does not affect the disclosures for 2013/14, but will need to be applied retrospectively to our accounts from 1<sup>st</sup> April 2014.

At the time of writing, the impact to our accounts is not fully known although based on our current arrangements is likely to be immaterial.

- IFRS 12 Disclosures of Interests in Other Entities (May 2011)

IFRS12 requires the disclosure of information that enables users of financial statements to evaluate:

- The nature of, and risks associated with, its interests in other entities; and
- The effects of those interests on its financial position, financial performance and cash flows.

This new standard comes into effect for accounting periods beginning on or after 1 January 2013 so does not affect the disclosures for 2013/14, but will need to be applied retrospectively to our accounts from 1<sup>st</sup> April 2014.

At the time of writing, the impact to our accounts is not fully known although based on our current arrangements is likely to be immaterial.

- IFRS13 Fair Value Measurement

IFRS 13 defines fair value and sets out in a single IFRS a framework for measuring fair value. It also identifies the disclosure requirement for items measured at fair value.

This new standard comes into effect for accounting periods beginning on or after 1 January 2013, so does not affect the disclosures for 2013/14.

At the time of writing the CIPFA/LASAAC Local Authority Accounting Code Board have decided to defer the implementation of this standard to the 2015/16 Code, so there will be no impact to our accounts during 2014/15.

- IAS 27 Separate Financial Statements (as amended in May 2011)

IAS 27 Separate Financial Statements (as amended in 2011) outlines the accounting and disclosure requirements for 'separate financial statements', which are financial statements prepared by a parent, or an investor in a joint venture or associate, where those investments are accounted for either at cost or in accordance with IAS 39.

This new standard comes into effect for accounting periods beginning on or after 1 January 2013 so does not affect the disclosures for 2013/14, but will need to be applied retrospectively to our accounts from 1<sup>st</sup> April 2014.

At the time of writing, the impact to our accounts is not fully known although based on our current arrangements is likely to be immaterial.

- IAS 28 Investments in Associates and Joint Ventures (as amended in May 2011)

IAS 28 Investments in Associates and Joint Ventures (as amended in 2011) outlines how to apply, with certain limited exceptions, the equity method to investments in associates and joint ventures. The standard also defines an associate by reference to the concept of "significant influence", which requires power to participate in financial and operating policy decisions of an investee (but not joint control or control of those policies).

This new standard comes into effect for accounting periods beginning on or after 1 January 2013 so does not affect the disclosures for 2013/14, but will need to be applied retrospectively to our accounts from 1st April 2014.

At the time of writing, the impact to our accounts is not fully known although based on our current arrangements is likely to be immaterial.

- IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (as amended in December 2011)

These amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify:

- The meaning of 'currently has a legally enforceable right of set-off'; and
- That some gross settlement systems may be considered equivalent to net settlement.

This new standard comes into effect for accounting periods beginning on or after 1 January 2014 so does not affect the disclosures for 2013/14, and as the amendments do not constitute a change of accounting policy we are not required to apply them retrospectively.

As the authority does not currently offset any of its financial instruments, there will be no impact in our accounts as a result of these amendments.

### 3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies, as in every year, the Council has had to make judgements about complex transactions or those involving uncertainty about future events.

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

- The Council is a key partner in Firepool development which is 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, land and property acquisition and preparation for such a high-profile asset creation.
- There continues to be 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. 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. In previous years the Council has included Tone Leisure in its group accounts. The inclusion of Tone Leisure has been reviewed this year and we have made a judgement that the Council's interest in Tone Leisure is not material to the accounts so therefore group accounts have not been prepared.
- The Council currently uses the Major Repairs Allowance (MRA) as a proxy for depreciation. This is a DCLG assessment of the cost of maintaining our Council Dwellings, therefore the Council believes it to be a reliable estimate. There is a five year transition period in place and the Council intends to review this basis within this period which ends in 2016/17.
- Depreciation for the Council's assets is run on opening balances. If there are any revaluations in year the revaluations are processed and depreciation is written out. There is assurance from the valuer that the values in the accounts at 31 March 2014 are a true reflection of the fair value at this date.
- A Business Rates provision has been made in the accounts for £2.942m. The Council has put in its best estimate of the expenditure required to settle the present obligation based on the appeals put in by ratepayers.

### 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 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:



Item	Significant Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment (PPE)	<p>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.</p> <p>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 south-west was 44%; in 2013/14 it is 31%.</p>	<p>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 £929k and an average working life of around five years, extending the life by 1 year would reduce annual depreciation by £31k.</p> <p>With council housing having a balance-sheet cost of around £210m, each 1% change in the social housing discount factor moves the valuation up or down by £2m while having no effect on the actual housing stock itself.</p>
Pensions Liability	<p>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.</p>	<p>The effects on the net pension liability of many changes in individual assumptions can be measured. For example, if the discount rate were to change by plus or minus 0.1% from its assumed 4.5%, then the projected service cost would be between £2.749m to £2.886m. A similar change of 1 year in the mortality age range assumption means the projected service cost could be from £2.723m to £2.911m.</p>

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.
Business Rates Appeals Provision	Estimates has been made for the provision for refunding ratepayers who have successfully appealed against the rateable value of their properties. This includes the current and previous financial years. The estimate is based on those ratepayers who have appealed.	There is uncertainty and risk surrounding the calculation of the provision as future events may affect the amount required to settle an obligation.
Arrears	At 31 March 2014 the Council had a balance of Council Tax debtors of £2.6m, up from the £2m the previous year, which is to be expected when collecting council tax of around £50m each year. The Council has made an impairment provision within the collection fund of £1.6m to cover debts that are not collectible for a variety of reasons; this Council's share of this is 11% of the total. However, in the current economic climate the level of unpaid debts could change significantly at short notice.	The Council is confident that the current levels of provision 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 approximately 49,000 households, a 0.1% change in the collection rate changes the amount collected by around £50k in a full year (the Council's risk would be 11% of this amount). The Council's collection rate for 2013/14 was 99%.

## 5. Material Items of Income and Expense

During the year, there have been 47 sales of Council dwellings to Council tenants, 1 sale on the open market, 31 dwellings were disposed of to a housing association and the sale of some Housing Revenue Account land resulting in a gain shown in the Comprehensive Income and Expenditure Statement of £1,016k. There have also been a number General Fund properties and vehicles sold during the year resulting in a total net loss shown in the Comprehensive Income and Expenditure Statement of £658k.

During 2013/14 there was a significant revaluation loss in relation to Deane House of £2.2m. This is a notional charge which does not affect council tax payers but does reduce the value of the asset on the balance sheet. This value will be reviewed in 5 years time as part of the cyclical revaluation programme.

## 6. Events After the Balance Sheet Date

There have been no events after the balance sheet date of 31 March 2014 that require the financial statements or notes to be adjusted for 2013/14.

## **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.

The following sets out a description of the reserves that the adjustments are made against.

### **General Fund Balance**

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year, however the balance is not available to be applied to fund Housing Revenue Account (HRA) services.

### **Housing Revenue Account Balance**

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

### **Major Repairs Reserve**

The Council is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year-end.

### **Capital Receipts Reserve**

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at year-end.

### **Capital Grants Unapplied**

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

The table below shows the adjustments that have been made between the accounting basis and funding basis:

2013/14	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</i>						
Charges for depreciation of non-current assets	(1,485)	(6,758)	0	0	0	8,243
Revaluation losses on Property Plant and Equipment	(818)	0	0	0	0	818
Amortisation of intangible assets	(28)	(68)	0	0	0	96
Capital grants and contributions applied	1,051	0	0	0	0	(1,051)
Revenue expenditure funded from capital under statute	(977)	0	0	0	0	977
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	(25)	(2,579)	0	0	0	2,604
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>						
Statutory provision for the financing of capital investment	729	1,851	0	0	0	(2,580)
Capital expenditure charged against the General Fund and HRA balances	789	1,445	0	0	0	(2,234)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	105	0	0	0	(105)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	278	(278)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and Expenditure Account	17	2,904	(2,921)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	2,441	0	0	(2,441)
Contribution from the Capital Receipts Reserve towards the administrative costs of non-current asset disposals	0	(61)	61	0	0	0
Contribution from the Capital Receipt reserve to finance the payments to the central government capital receipts pool	(284)	0	284	0	0	0
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Transfer dwelling depreciation to Major Repairs Reserve	0	6,414	0	(6,414)	0	0

2013/14	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
Transfer non-dwelling depreciation to Major Repairs Reserve	0	412	0	(412)		0
Use of the Major Repairs Reserve to finance new Capital Expenditure	0	0	0	6,561	0	(6,561)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,451)	(917)	0	0	0	6,368
Employers pension contributions and direct payments to pensioners payable in the year	1,989	339	0	0	0	(2,328)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,198)	0	0	0	0	1,198
<b>Adjustments primarily involving the Accumulated Absences Account:</b>						
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	(15)	2	0	0	0	13
<b>Total Adjustments 2013/14</b>	<b>(5,601)</b>	<b>2,984</b>	<b>(135)</b>	<b>(265)</b>	<b>173</b>	<b>2,844</b>

2012/13 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
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</i>						
Charges for depreciation of non-current assets	(1,407)	(6,435)	0	0	0	7,842
Charges for impairment of non-current assets	0	96	0	0	0	(96)
Excess of depreciation charged to HRA services over the MRA	0	(346)	0	0	0	346
Revaluation losses on Property Plant and Equipment	(20)	0	0	0	0	20

2012/13 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
Movements in the market value of Investment Properties						
Amortisation of intangible assets	(50)	(67)	0	0	0	117
Capital grants and contributions applied	948	0	0	0	0	(948)
Revenue expenditure funded from capital under statute	(1,028)	0	0	0	0	1,028
Self Financing						
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	(1,342)	(1,574)	0	0	0	2,916
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>						
Statutory provision for the financing of capital investment	955	1,646	0	0	0	(2,601)
Capital expenditure charged against the General Fund and HRA balances	1,011	0	0	0	0	(1,011)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	17	0	0	0	(17)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	1,781	(1,781)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and Expenditure Account	3,354	2,381	(5,735)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	435	0	0	(435)
Contribution from the Capital Receipts Reserve towards the administrative costs of non-current asset disposals	0	(48)	48	0	0	0
Contribution from the Capital Receipt reserve to finance the payments to the central government capital receipts pool	(380)	0	380	0	0	0

2012/13 Comparative Figures (Restated)	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
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Transfer dwelling depreciation to Major Repairs Reserve	0	6434	0	(6434)	0	0
Transfer non-dwelling depreciation to Major Repairs Reserve	0	413	0	(413)	0	0
Reversal of Major Repairs Allowance credited to the HRA						
Use of the Major Repairs Reserve to finance new Capital Expenditure	0	0	0	4,649	0	(4,649)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
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)
<b>Adjustments primarily involving the Pensions Reserve: (Restated)</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,290)	(879)	0	0	0	5,169
Employers pension contributions and direct payments to pensioners payable in the year	1,793	298	0	0	0	(2,091)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
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	(186)	0	0	0	0	186
<b>Adjustments primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2	(24)	0	0	0	22
<b>Total Adjustments 2012/13</b>	<b>(623)</b>	<b>1,934</b>	<b>(4,872)</b>	<b>(2,198)</b>	<b>1,764</b>	<b>3,995</b>

## 8. Transfers to/From Earmarked Reserves

The table below shows the amounts set aside from the General Fund and HRA balances in capital or revenue earmarked reserves to provide financing for future expenditure plans. It also shows the movement in each major earmarked reserve where amounts have either been posted to the reserve or back to meet General Fund and HRA expenditure in 2013/14.

	<b>Balance at 31 March 2012 £'000</b>	Transfers In 2012/13 £'000	Transfers Out 2012/13 £'000	<b>Balance at 31 March 2013 £'000</b>	Transfers In 2013/14 £'000	Transfers Out 2013/14 £'000	<b>Balance at 31 March 2014 £'000</b>
<b>General Fund</b>							
Asset Management - General	<b>218</b>	120	0	<b>338</b>	19	(107)	<b>250</b>
Asset Management - Leisure	<b>784</b>	74	(85)	<b>773</b>	176	(620)	<b>329</b>
Capital Financing Reserve	<b>939</b>	242	(190)	<b>991</b>	3,372	0	<b>4,363</b>
Carryforwards	<b>0</b>	541	0	<b>541</b>	475	(541)	<b>475</b>
CEO Initiatives	<b>60</b>	21	(1)	<b>80</b>	41	(17)	<b>104</b>
Core Council Review	<b>146</b>	0	(14)	<b>132</b>	0	(132)	<b>0</b>
DLO Trading Account	<b>222</b>	0	(84)	<b>138</b>	67	0	<b>205</b>
DLO Vehicle Replacement Reserve	<b>117</b>	202	(319)	<b>0</b>	241	0	<b>241</b>
Eco Towns Projects	<b>149</b>	0	(29)	<b>120</b>	0	(24)	<b>96</b>
Growth & Regeneration Service Costs	<b>886</b>	13	(340)	<b>559</b>	50	(387)	<b>222</b>
Homelessness Grant	<b>0</b>	123	0	<b>123</b>	26	0	<b>149</b>
Housing Enabling	<b>218</b>	7	(17)	<b>208</b>	4	(36)	<b>176</b>
JM & SS Project EMR	<b>0</b>	0	0	<b>0</b>	1,418	0	<b>1,418</b>
Local Plan Enquiry	<b>238</b>	187	(63)	<b>362</b>	137	(95)	<b>404</b>
Monkton Heathfield EMR	<b>0</b>	0	0	<b>0</b>	300	0	<b>300</b>
New Homes Bonus Reserve	<b>392</b>	648	0	<b>1,040</b>	1,354	(1,600)	<b>794</b>
Performance & Client Consultancy	<b>144</b>	0	(36)	<b>108</b>	163	(60)	<b>211</b>
Planning Delivery Grant	<b>237</b>	0	(44)	<b>193</b>	0	(41)	<b>152</b>
Self Insurance Fund	<b>750</b>	0	0	<b>750</b>	0	(250)	<b>500</b>
TDBC share of NNDR Surplus/Deficit	<b>0</b>	0	0	<b>0</b>	1,265	0	<b>1,265</b>
Troubled Families	<b>0</b>	256	(10)	<b>246</b>	249	(143)	<b>352</b>
Other earmarked reserves	<b>1,215</b>	667	(1,075)	<b>807</b>	681	(485)	<b>1,003</b>
<b>Total General Fund</b>	<b>6,598</b>	<b>2,899</b>	<b>(1,988)</b>	<b>7,509</b>	<b>10,038</b>	<b>(4,538)</b>	<b>13,009</b>



	<b>Balance at 31 March 2012 £'000</b>	Transfers In 2012/13 £'000	Transfers Out 2012/13 £'000	<b>Balance at 31 March 2013 £'000</b>	Transfers In 2013/14 £'000	Transfers Out 2013/14 £'000	<b>Balance at 31 March 2014 £'000</b>
<b>Housing Revenue Account (HRA)</b>							
Capital Financing Reserve	<b>78</b>	0	0	<b>78</b>	1	0	<b>79</b>
Customer Access & Accomm Project	<b>0</b>	0	0	<b>0</b>	36	0	<b>36</b>
DLO Transformation	<b>77</b>	0	(11)	<b>66</b>	1	(22)	<b>45</b>
Halcon Reserve	<b>65</b>	0	(13)	<b>52</b>	0	(28)	<b>24</b>
Social Housing Development Fund	<b>0</b>	1,108	0	<b>1,108</b>	822	(1,526)	<b>404</b>
Other earmarked reserves	<b>253</b>	1	(240)	<b>14</b>	50	(38)	<b>26</b>
<b>Total HRA</b>	<b>474</b>	<b>1,109</b>	<b>(264)</b>	<b>1,319</b>	<b>909</b>	<b>(1,614)</b>	<b>614</b>

Included in the reserves above is the Council's Self Insurance Fund. This is a sum of £500,000 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 up to £250,000 per year.

## 9. Other Operating Expenditure

The note below details what is included in the 'other operating expenditure' line in the Comprehensive Income and Expenditure Statement. This now includes the Pension administration costs.

<b>2012/13 (Restated) £'000</b>		<b>2013/14 £'000</b>
482	Parish Council precepts	521
380	Payments to the Government Housing Capital Receipts Pool	284
8	Pension administration costs	29
(2,770)	(Gains)/losses on the disposal of non-current assets	(358)
<b>(1,900)</b>	<b>Total</b>	<b>476</b>

## 10. Financing and Investment Income and Expenditure

The note below details what is included in the 'Financing and investment income and expenditure' line in the Comprehensive Income and Expenditure Statement.

<b>Restated 2012/13 £'000</b>		<b>2013/14 £'000</b>
287	Trading account (surpluses) and deficits	(6)
2,769	Interest payable and similar charges	2,942
2,955	Net interest on the net defined benefit liability (asset)	2,966
(185)	Interest receivable and similar income	(344)
(222)	Income and expenditure in relation to investment properties and changes in their Fair Value	(137)
<b>5,604</b>	<b>Total</b>	<b>5,421</b>

## 11. Taxation and Non Specific Grant Incomes

The note below details what is included in the 'Taxation and non-specific grant income' line in the Comprehensive Income and Expenditure Statement.

2012/13		2013/14
£'000		£'000
6,099	Council tax income	4,355
5,207	Non-domestic rates income and expenditure	3,504
1,563	Non-ringfenced government grants	5,360
966	Capital grants and contributions	1,155
<b>13,835</b>	<b>Total</b>	<b>14,374</b>

More details of grants the Council has received can be found in Note 33 Grant Income.

## 12. Property, Plant and Equipment

The table below details the movement on the Council's assets shown on the Balance Sheet as Property Plant and Equipment.

<b>Movements in 2013/14</b>	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
<b>Cost or Valuation</b>							
At 1 April 2013	<b>206,400</b>	<b>77,871</b>	<b>8,752</b>	<b>11,713</b>	<b>6,965</b>	<b>2,645</b>	<b>314,346</b>
Additions	8,572	2,172	802	0	52	345	<b>11,943</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(2,447)	(101)	0	0	0	0	<b>(2,548)</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(1,968)	0	0	0	0	<b>(1,968)</b>
Derecognition - disposals	(1,256)	0	0	0	0	0	<b>(1,256)</b>
Derecognition - other	(746)	0	0	0	0	0	<b>(746)</b>
Assets reclassified (to)/from Held for Sale	(630)	(216)	0	0	0	0	<b>(846)</b>
<b>At 31 March 2014</b>	<b>209,893</b>	<b>77,758</b>	<b>9,554</b>	<b>11,713</b>	<b>7,017</b>	<b>2,990</b>	<b>318,925</b>
<b>Accumulated Depreciation and Impairments</b>							
At 1 April 2013	<b>0</b>	<b>(1,545)</b>	<b>(2,826)</b>	<b>(1,129)</b>	<b>(77)</b>	<b>0</b>	<b>(5,577)</b>
Depreciation Charge	(6,414)	(917)	(748)	(164)	0	0	<b>(8,243)</b>
Depreciation written out to the Revaluation Reserve	6,414	473	0	0	0	0	<b>6,887</b>
Depreciation written out to Surplus Deficit on Provision of Services	0	737	0	0	0	0	<b>737</b>
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	<b>0</b>
Derecognition - Disposals	0	0	0	0	0	0	<b>0</b>
Derecognition - Other	0	0	0	0	0	0	<b>0</b>
<b>At 31 March 2014</b>	<b>0</b>	<b>(1,252)</b>	<b>(3,574)</b>	<b>(1,293)</b>	<b>(77)</b>	<b>0</b>	<b>(6,196)</b>
<b>Net Book Value As at 31 March 2014</b>	<b>209,893</b>	<b>76,506</b>	<b>5,980</b>	<b>10,420</b>	<b>6,940</b>	<b>2,990</b>	<b>312,729</b>

<b>Comparative Movements in 2012/13</b>	<b>Council Dwellings £'000</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Plant, Furniture and Equipment £'000</b>	<b>Infrastructure Assets £'000</b>	<b>Community Assets £'000</b>	<b>Assets Under Construction £'000</b>	<b>Total Property, Plant and Equipment £'000</b>
<b>Cost or Valuation</b>							
At 1 April 2012	208,800	78,514	6,762	11,713	4,288	3,757	<b>313,834</b>
Additions	4,610	120	1,675	0	1,389	530	<b>8,324</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(5,305)	(66)	0	0	0	0	<b>(5,371)</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(23)	0	0	0	0	<b>(23)</b>
Derecognition - disposals	(1,361)	(634)	(39)	0	0	0	<b>(2,034)</b>
Derecognition - other	40	(40)	354	0	1,288	(1,642)	<b>0</b>
Assets reclassified (to)/from Held for Sale	(384)	0	0	0	0	0	<b>(384)</b>
<b>At 31 March 2013</b>	<b>206,400</b>	<b>77,871</b>	<b>8,752</b>	<b>11,713</b>	<b>6,965</b>	<b>2,645</b>	<b>314,346</b>
<b>Accumulated Depreciation and Impairments</b>							
At 1 April 2012	(4,026)	(2,870)	(2,233)	(965)	(77)	0	<b>(10,171)</b>
Depreciation Charge	(6,434)	(958)	(632)	(164)	0	0	<b>(8,188)</b>
Depreciation written out to the Revaluation Reserve	10,374	2,264	0	0	0	0	<b>12,638</b>
Depreciation written out to Surplus Deficit on Provision of Services	0	3	0	0	0	0	<b>3</b>
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	96	0	0	0	0	0	<b>96</b>
Derecognition - Disposals	0	6	39	0	0	0	<b>45</b>
Derecognition - Other	(10)	10	0	0	0	0	<b>0</b>
<b>At 31 March 2013</b>	<b>0</b>	<b>(1,545)</b>	<b>(2,826)</b>	<b>(1,129)</b>	<b>(77)</b>	<b>0</b>	<b>(5,577)</b>
<b>Net Book Value As at 31 March 2013</b>	<b>206,400</b>	<b>76,326</b>	<b>5,926</b>	<b>10,584</b>	<b>6,888</b>	<b>2,645</b>	<b>308,769</b>

## 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 25-60 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 Housing Revenue Account and General Fund Capital Programme in 2014/15 are shown below.

## General Fund

The Council has entered into a contract for Blackbrook Pool which is due to be completed in 2015/16. Remaining commitments on this contract are approximately £5.3m.

Similar commitments as at 31 March 2013 on General Fund Projects were approximately £240k in total.

### Housing Revenue Account

At the 31 March 2014 the Council has entered into a number of contracts to maintain the Housing Stock in 2013/14. The commitments are: Air Source Heat Pump installation £2,680k.

Similar commitments at 31 March 2013 on Housing Revenue Account contracts were £521k

### 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 TDBC staff. All valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (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.

The valuation report received states the following basis has been used in calculating the fair value of Property Plant and Equipment. Existing Use Value (EUV) has been used where there is sufficient evidence of market transactions and Depreciated Replacement Cost (DRC) has been used where the asset is of specialised nature or where there is little or no evidence of market transactions.

The assets have been valued taking into account the following assumptions:

- Building surveys have not been carried out and properties not inspected where it is not considered necessary in view of the purpose and methodology of the valuation. It is therefore assumed that parts of the building are considered in good repair and condition.
- It is assumed that there is not any significant risk that any deleterious or hazardous material has been used in the construction of the properties.
- Unless already advised it has been assumed that the properties are not, nor are likely to be affected by land contamination and there are no ground conditions that would affect the present or future used of the properties.
- No allowance has been made for rights, obligations or liabilities arising from the Defective Premises Act 1972.
- When valuing properties using EUV or DRC, it is assumed that planning permission exists for the use of the property.
- It is assumed there are no outstanding debts or mortgages on the properties.

The table below shows the values against the latest valuation dates for each group of assets:

	<b>Council Dwellings £'000</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles Plant and Equipment £'000</b>	<b>Total £'000</b>
Carried at historical cost	4,610	1,118	9,554	15,282
Valued at fair value as at:				
31 March 2008	526	0	0	526
1 April 2009	0	10,381	0	10,381
31 March 2010	0	15,041	0	15,041
1 April 2010	0	11,622	0	11,622
31 March 2011	363	397	0	760
1 April 2011	0	15,373	0	15,373
1 April 2012	200,901	21,806	0	222,707
31 March 2013	0	2,133	0	2,133
31 March 2014	0	4,845	0	4,845

<b>Total Cost or Valuation</b>	<b>206,400</b>	<b>82,716</b>	<b>9,554</b>	<b>298,670</b>
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### 13. Heritage Assets

A heritage asset is described as an asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

The Council recognised heritage assets to the value of £141k for the first time in 2011/12. The Council's heritage assets consist of civic insignia and silver. The Council has not depreciated heritage assets as the civic insignia and silver are assumed to have an indefinite useful life. There have been no additions or disposals of heritage assets in year.

<b>2012/13</b>		<b>2013/14</b>
<b>£'000</b>		<b>£'000</b>
141	Balance at start of the year	141
<b>141</b>	<b>Balance at end of the year</b>	<b>141</b>

The main items included in the Civic Insignia and Silver are:

- The Mayor's Chain – this was acquired in 1884 and presented to the Corporation of Taunton. Every year a new shield was added up until 1973/74. Altogether there are 68 shields on the chain and on each shield is the name of each mayor. The chain is believed to be 18 carat gold and the medallion 9 carat gold. The weight of the chain in total is 750 grams. The chain was transferred to Taunton Deane Borough Council in 1974 on the reorganisation of local government. The chain is worn by the mayor at most civic engagements.
- The Mayoress's Chain – this was acquired in 1928 and there are 37 shields on the chain each with the names of the mayoress on. The chain is believed to be 14 carat gold and the medallion is diamond encrusted. The total weight of the chain is 190 grams. The chain was transferred to Taunton Deane Borough Council in 1974 on the reorganisation of local government. The chain is worn by the mayoress at most civic engagements.
- The Mace – this was acquired in 1877. The mace is silver and the weight of the mace is 2.7kg. The mace was historically used to protect the Mayor but is now used for ceremonial purposes.
- The Civic Silver – this has been purchased or donated throughout the years. Some of the Civic Silver is on display to the public in a cabinet in the internal foyer at the Council's offices. The silver has half yearly outings to Annual Council and the annual civic dinner and dance where it creates a lot of interest from those attending the events.

The Council also owns various paintings including a collection by Harry Frier but it is felt that these do not meet the definition of Heritage Assets as they are not held principally for the contribution to knowledge and culture.

**14. Investment Properties**

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

2012/13		2013/14
£'000		£'000
222	Rental Income from investment property	348
<b>222</b>	<b>Total</b>	<b>348</b>

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

2012/13		2013/14
£'000		£'000
<b>3,081</b>	Balance at start of the year	<b>3,081</b>
0	Net gains/(losses) from fair value adjustments	347
	<b>Transfers:</b>	
0	To/(from) Investment Properties Held for Sale	(212)
<b>3,081</b>	<b>Balance at end of the year</b>	<b>3,216</b>

**Investment Properties Held for Sale**

2012/13		2013/14
£'000		£'000
<b>291</b>	Balance at start of the year	<b>291</b>
	<b>Transfers:</b>	
0	To/(from) Investment Properties Held for Sale	253
<b>291</b>	<b>Balance at end of the year</b>	<b>544</b>

Investment Properties are revalued every year at 31 March and are recognised at fair value. The fair value is based on the valuations performed by the in house valuer. All valuations were carried out in accordance with standards set out by the Royal Institution of Chartered Surveyors (RICS).

## 15. 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
5 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 £96,600 was charged to the relevant services 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:

2012/13 Total £'000		2013/14 Total £'000
	<b>Balance at the start of the year:</b>	
2,217	Gross carrying amounts	2,231
(1,660)	Accumulated amortisation	(1,777)
<b>557</b>	<b>Net carrying amount at the start of the year</b>	<b>454</b>
14	Additions: Purchases	78
(117)	Amortisation for the period	(97)
<b>454</b>	<b>Net carrying amount at end of year</b>	<b>435</b>
	<b>Comprising:</b>	
2,231	Gross carrying amounts	2,310
(1,777)	Accumulated amortisation	(1,875)
<b>454</b>		<b>435</b>

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

Carrying Amount	Capitalised software	Carrying Amount	Remaining
31 March 2013 £'000		31 March 2014 £'000	Amortisation Period
57	SAP System	46	5 Years
70	IDOX Land Charges and Building Control Software	80	6 Years
82	Choice Based Lettings System	68	5 Years
237	Housing Management System	241	4 Years

## 16. 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'.

The term 'financial instrument' covers both financial assets and financial liabilities. These range from straightforward trade receivables and trade payables to more complex transactions such as financial guarantees, derivatives and embedded derivatives. The Council's borrowing, finance leases and investment transactions are also classified as financial instruments.

### 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 non-derivative financial liabilities held during the year are measured at amortised cost and comprised:

- Long-term loans from the Public Works Loan Board and commercial lenders
- Overdraft with NatWest bank
- Trade payables for goods and services received

### 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 financial assets held by the Council during the year are held under the following four classifications:

Loans and receivables (financial assets that have fixed or determinable payments and are not quoted in an active market) comprising:

- Cash
- Bank accounts
- Loan made to Tone Leisure for service purposes
- Fixed term deposits with banks and building societies
- Trade receivables for goods and services delivered

Available for sale financial assets (those that are quoted in an active market) comprising:

- Money market funds and other collective investment schemes
- Certificates of deposit issues by banks and building societies
- Treasury bills and gilts issued by the UK Government

Assets held at fair value through profit and loss comprising:

- Externally managed funds that are held for trading



**Financial Instruments - Balances**

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

Financial Liabilities	Long Term		Short Term	
	31 March 2013 £'000	31 March 2014 £'000	31 March 2013 £'000	31 March 2014 £'000
<b>Loans at amortised cost:</b>				
- Principal sum borrowed	94,198	92,125	0	2,073
- Accrued interest	181	181	0	0
<b>Total Borrowing</b>	<b>94,379</b>	<b>92,306</b>	<b>0</b>	<b>2,073</b>
<b>Liabilities at amortised cost:</b>				
- Trade payables	0	0	4,334	5,390
<b>Included in Creditors</b>	<b>0</b>	<b>0</b>	<b>4,334</b>	<b>5,390</b>
<b>Total Financial Liabilities</b>	<b>94,379</b>	<b>92,306</b>	<b>4,334</b>	<b>7,463</b>

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

Financial Assets	Long Term		Short Term	
	31 March 2013 £'000	31 March 2014 £'000	31 March 2013 £'000	31 March 2014 £'000
<b>Loans and receivables:</b>				
- Principal at amortised cost	3	3	8,000	9,000
- Accrued Interest	0	0	9	20
<b>Total Investments</b>	<b>3</b>	<b>3</b>	<b>8,009</b>	<b>9,020</b>
<b>Loans and receivables:</b>				
- Cash	0	0	541	539
- Cash equivalents at amortised cost	0	0	2,000	4,500
- Accrued interest	0	0	1	2
<b>Available-for-sale investments:</b>				
- Cash equivalents at amortised cost	0	0	8,300	12,200
- Accrued Interest	0	0	5	8
<b>Total Cash and Cash Equivalents</b>	<b>0</b>	<b>0</b>	<b>10,847</b>	<b>17,249</b>
<b>Loans and receivables:</b>				
- Trade receivables	86	79	2,370	857
- Loans made for service purposes	254	191	64	0
<b>Included in Debtors</b>	<b>340</b>	<b>270</b>	<b>2,434</b>	<b>857</b>
<b>Total Financial Assets</b>	<b>343</b>	<b>273</b>	<b>21,290</b>	<b>27,126</b>

£191k of loans made for service purposes in 2013/14 meet the definition of capital expenditure in the Capital Finance Regulations.

**Soft Loans**

Soft loans are those advanced at below market rates in support of the Council's service priorities.

The Council has no material outstanding soft loans and has made no material soft loans in 2013/14.

## Financial Instruments – Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consists of the following items shown in the table on the next page:

2013/14

### Income, Expense, Gains and Losses

	2012/13				2013/14			
	Financial Liabilities measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Financial Assets: Available for sale £'000	Total £'000	Financial Liabilities measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Financial Assets: Available for sale £'000	Total £'000
Total interest expense in Surplus or Deficit on the Provision of Services	2,769	0	0	2,769	2,942	0	0	2,942
Total interest income in Surplus or Deficit on the Provision of Services	0	(145)	(40)	(185)	0	(316)	(28)	(344)

### Financial Instruments - Fair Values

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cashflows at 31 March 2014 using the following assumptions:

- PWLB loans have been discounted at the published interest rates for new certainty rate loans arranged on 31 March
- Other long-term loans and investments have been discounted at the market rates for similar instruments on 31 March
- No early repayment or impairment is recognised
- The fair value of short-term instruments, including trade payables and receivables is assumed to be approximate to the carrying amount.

### Financial Liabilities

	31 March 2013		31 March 2014	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
<b>Financial Liabilities</b>				
Borrowing	94,379	106,697	94,379	91,258
<b>Total Financial Liabilities</b>	<b>94,379</b>	<b>106,697</b>	<b>94,379</b>	<b>91,258</b>

The fair value of the long term financial liabilities is lower than the carrying amount because the Council's portfolio of loans includes a number of loans where the interest rate payable is currently lower than current market rates available for similar loans as at the Balance Sheet date.

**17. Inventories**

The table below details the purchases and issues of stock during the year and any balances written off. The majority (£126k) of the inventory balance at 31 March 2014 was in relation to the stores stock.

2012/13 £		2013/14 £
168	<b>Balance outstanding at start of year</b>	163
829	Purchases	757
(834)	Issues	(765)
163	<b>Balance outstanding at year-end</b>	155

**18. Debtors**

The table below details the Council's debtors at 31 March. Debtors are amounts owed to the Council but remain unpaid at 31 March. Included in the figures per classification is an allowance for the impairment of the debts.

**Current Debtors:**

31 March 2013 £'000		31 March 2014 £'000
921	Central Government	566
670	Other local authorities	1,164
26	NHS Bodies	6
3,082	Other entities and individuals	2,598
4,699	<b>Total</b>	4,334

**Long term Debtors:**

Long term debtors are debtors that are due in over 12 months.

31 March 2013 £'000		31 March 2014 £'000
70	Sundry Mortgages	67
17	Car/Bike Loans to Employees	12
254	Tone Leisure Loan	191
341	<b>Total</b>	270

**19. Cash and Cash Equivalents**

The table below shows how the balance of cash and cash equivalents held by the Council at 31 March is made up. Cash and cash equivalents are highly liquid investments that are readily convertible into known amounts of cash. The details of what is included in as cash and cash equivalents is detailed in (iii) of note 1 Accounting Policies.

31 March 2013 £'000		31 March 2014 £'000
8	Cash Held by the Council	6
539	Bank current accounts	535
2,000	Call Accounts	7,008
1,000	VNAV Short Duration Bond Fund	2,000

7,300	Money Market Funds	5,200
0	Short-term deposits	2,500
<b>10,847</b>	<b>Total Cash and Cash Equivalents</b>	<b>17,249</b>

## 20. Assets Held for Sale

The table below details the balances of Assets Held for Sale at 31 March. For an asset to be classified as held for sale it must meet the following criteria:

- Be available for sale in its present condition
- The sale must be highly probable and have Member approval
- The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value
- The sale must be expected to be completed within one year of classification (in some circumstances if it is expected to take longer than a year to complete but still meets the other criteria it may be included as a non-current asset held for sale).

Also included as assets held for sale are Right-To-Buy (RTB) applications where it is highly probable the Council Dwelling will be sold through the RTB process.

Assets Held for Sale are revalued every year at 31 March and are recognised at lower of its carrying value and fair value less costs to sell. The maximum amount at which an asset is carried is at the amount which it was initially recognised as Held for Sale. The valuation is based on the valuations performed by TDBC valuer. All valuations were carried out in accordance with standards set out by the Royal Institution of Chartered Surveyors (RICS).

### Assets Held for Sale:

Current 2012/13 £'000		Current 2013/14 £'000
1,056	<b>Balance outstanding at start of year</b>	<b>513</b>
	<i>Assets newly classified as held for sale</i>	
384	- Property Plant and Equipment	852
(927)	Assets sold	(577)
<b>513</b>	<b>Balance outstanding at year-end</b>	<b>788</b>

## 21. Creditors

The table below details the Council's creditors at 31 March. Creditors are amounts owed by the Council at 31 March in respect of goods and services received before the end of the financial year.

31 March 2013 £'000		31 March 2014 £'000
1,796	Central Government bodies	1,121
559	Other local authorities	1,176
0	Public corporations and trading funds	14
8,825	Other entities and individuals	9,311
<b>11,180</b>	<b>Total</b>	<b>11,622</b>

**22. Provisions**

	<b>Provision £'000</b>
<b>Balance at 1 April 2013</b>	137
Amounts used in 2013/14	(35)
Provisions made in 2013/14	1,195
<b>Balance at 31 March 2014</b>	1,297

**Landlord Deposit Protection Scheme**

The provision balance of £12k brought forward relates to the Deposit Protection Scheme run by the Council to enable tenants to obtain private sector rented accommodation. This amount was used in full in 2013/14, and a new provision of £19k was set aside in the year representing the updated estimated liability based on previous experience of percentage of claims made.

**Personal Search Fees**

The provision balance of £101k brought forward relates to a probable obligation to refund Personal Search Fees. Litigation is currently underway nationally where it is claimed that Personal Search Agents have been incorrectly charged personal search fees for a period of six years. It is considered prudent to continue to set aside the sum of £101k, which is expected to cover the cost of refunds plus associated legal costs.

**Insurance**

On 28 March 2012 the Supreme Court ruled that the insurer who was on risk at the time of an employee's exposure to asbestos was liable to pay compensation for the employee's mesothelioma. Municipal Mutual Insurance Limited (MMI) ceased writing insurance and went into run-off in September 1992. TDBC are Scheme Creditors party to the contingent Scheme of Arrangement sanctioned by the Court in January 1994. The Board of Directors has taken legal, financial and actuarial advice in order to determine the full implications of the judgement and the most appropriate way forward for MMI. The provision balance of £24k brought forward relates to the estimated levy that was due to be paid during 2013/14. The actual levy due amounted to £11k and the remainder of the provision has been released. The most recent statement indicated that no further levy was due in 2014/15.

**Business Rates**

The Local Government Finance Act 2012 introduced changes to the accounting arrangements for Business Rates. These changes require the Council to put in a provision for appeals for refunding ratepayers who have appealed against the rateable value of their properties on the rating list. The Council has to put in its best estimate of the expenditure required to settle the present obligation which totals £2.942m in respect of the Business Rates Collection Fund.

**23. Usable Reserves**

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement. Usable reserves are reserves that can be applied to fund expenditure or reduce local taxation.

**24. Unusable Reserves**

The table below details the Council's unusable reserves. These are reserves that cannot be applied to fund expenditure or reduce local taxation – they are not useable resources.

<b>31 March 2013 £'000</b>		<b>31 March 2014 £'000</b>
22,522	Revaluation Reserve	26,563
185,507	Capital Adjustment Account	188,218
(70,100)	Pensions Reserve	(67,194)

(8)	Collection Fund Adjustment Account	(1,205)
(342)	Accumulated Absences Account	(355)
<b>137,579</b>	<b>Total Unusable Reserves</b>	<b>146,026</b>

### Revaluation Reserve

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

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation
- Disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 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.

The table below shows that transactions that have gone through the revaluation reserve:

2012/13			2013/14
£'000			£'000
<b>15,554</b>	<b>Balance at 1 April</b>		<b>22,522</b>
7,462	Upwards revaluation of assets	4,976	
(196)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(632)	
7,266	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		4,344
(298)	Difference between fair value depreciation and historical cost depreciation	(303)	
(298)	Amount written off to Capital Adjustment Account		(303)
<b>22,522</b>	<b>Balance at 31 March</b>		<b>26,563</b>

### 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 accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains and losses on Property, Plant and Equipment before 1 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.

2012/13			2013/14
£'000			£'000
<b>185,957</b>	<b>Balance at 1 April</b>		<b>185,507</b>
	<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>		
(8,188)	Charges for depreciation and impairment of non-current assets	(8,243)	
76	Revaluation losses on Property, Plant and Equipment	(921)	
(117)	Amortisation of intangible assets	(97)	
(1,028)	Revenue Expenditure funded from capital under statute	(977)	
(2,916)	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	(2,500)	
(12,173)			(12,738)
298	Adjusting amounts written out of the Revaluation Reserve		303
174,082	Net written out amount of the cost of non-current assets consumed in the year		173,072
	<i>Use of the Capital financing applied in the year:</i>		
435	Use of the Capital Receipts Reserve to finance new capital expenditure	2,441	
4,649	Use of Major Repairs Reserve to finance new capital expenditure	6,561	
948	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	278	
1,781	Application of grants to capital financing from the Capital Grants Unapplied Account	1,051	
2,601	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	2,581	
1,011	Capital Expenditure charged against the General Fund and HRA Balances	2,234	
11,425			15,146
0	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		0
<b>185,507</b>	<b>Balance at 31 March</b>		<b>188,218</b>

### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account (FIAA) was established on 1 April 2007 when Financial Reporting Standards 25, 26 and 29 relating to Financial Instruments were adopted into the 2007 SORP (Statement of Recommended Practice). The balance shown in the FIAA at the end of the financial year represents the amount that should have been charged to the Comprehensive Income and Expenditure Statement in accordance with proper accounting practices under the code of practice, but which Statutory Provisions allow or require to be deferred over future years.

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.

The table below details the transactions that have gone through the FIAA:

2012/13			2013/14
£'000			£'000
<b>(39)</b>	<b>Balance at 1 April</b>		<b>0</b>
39	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	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		0
<b>0</b>	<b>Balance at 31 March</b>		<b>0</b>

### 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 employer's contributions to the pension fund or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that the funding will have been set aside by the time the benefits come to be paid.

Transactions in the pension reserve are as shown in the table below:

2012/13			2013/14
£'000			£'000
<b>(65,513)</b>	<b>Balance at 1 April</b>		<b>(70,100)</b>
(2,406)	Remeasurement of the Net Defined Pension Liability		6,946
(4,272)	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		(6,368)
2,091	Employer's pensions contributions and direct payments to pensioners payable in the year		2,328
<b>(70,100)</b>	<b>Balance at 31 March</b>		<b>(67,194)</b>

### 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.



The balance shown on the Collection Fund Adjustment Account represents the Council's share of the Collection Fund surplus or deficit.

2012/13		Council Tax	Business Rates	2013/14
£'000		£'000	£'000	£'000
178	<b>Balance at 1 April</b>	(8)	0	(8)
(186)	Amount by which Council Tax/NNDR income is credited to the Comprehensive Income and Expenditure Statement is different from Council Tax/NNDR income calculated for the year in accordance with statutory requirements	38	(1,235)	(1,197)
(8)	<b>Balance at 31 March</b>	30	(1,235)	(1,205)

### 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.

2012/13		2013/14	
£'000		£'000	£'000
(319)	<b>Balance at 1 April</b>		(342)
319	Settlement or cancellation of accrual made at the end of the preceding year	342	
(342)	Amounts accrued at the end of the current year	(355)	
(342)	<b>Balance at 31 March</b>		(355)
(23)	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	(13)	

### 25. Cash Flow Statement – Operating Activities

The net cash flows for operating activities line on the cash flow statement includes the following items in the table below:

2012/13		2013/14
£'000		£'000
(185)	Interest Received	(344)
2,769	Interest Paid	2,942
2,584		2,598

The following table shows the adjustments to the Net Surplus/Deficit on Provision of Services for non-cash movements:

2012/13 (Restated)		2013/14
£'000		£'000
8,188	Depreciation	8,243
(76)	Impairment and Downward Valuations	1,094
117	Amortisation	157
(25)	Increase/(Decrease) in impairment for Bad Debts	(121)

(3,315)	Increase/(Decrease) in Creditors	442
1,868	(Increase)/Decrease in Debtors	365
3	(Increase)/Decrease in Inventory	8
2,181	Movement in Pension Liability	4,040
0	Movement in Council Tax Credited	(1,198)
2,917	Carrying amount of non current assets sold	2,396
137	Provisions	1,297
452	Other non cash items charged to the net surplus or deficit on the provision of services	9
<b>12,447</b>		<b>17,007</b>

Adjustments for items included in the net surplus/deficit on provision of services that are Investing and Financing Activities (Note 25):

2012/13		2013/14
£'000		£'000
(5,735)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,927)
<b>(5,735)</b>		<b>(2,927)</b>

## 26. Cash Flow Statement – Investing Activities

2012/13		2013/14
£'000		£'000
(8,125)	Purchase of property, plant and equipment, investment property and intangible assets	(11,626)
(149,921)	Purchase of short-term and long-term investments	(108,442)
5,735	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,927
146,421	Proceeds from short-term and long-term investments	111,050
<b>(5,890)</b>	<b>Net cash flows from investing activities</b>	<b>(6,091)</b>

## 27. Cash Flow Statement – Financing Activities

2012/13		2013/14
£'000		£'000
(800)	Repayment of short-term and long-term borrowing	0
<b>(800)</b>	<b>Net cash flows from financing activities</b>	<b>0</b>

## 28. 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 Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council on the basis of regular 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.
- 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 and income to the penny in each of their areas of responsibility.

The table below shows the controllable expenditure and income reported to management and Members under the Council's portfolio structure.

The portfolios are as follows:

COM – Community Leadership

COR – Corporate Resources

ECD – Economic Development Asset Management and the Arts

ENV – Environmental Services

GEN – General Services

HSG – Housing Services (General Fund only)

PTC – Planning, Transportations and Communications

SPL – Sports Parks and Leisure

HRA – Housing Revenue Account

The income and expenditure of the Council's portfolios reported to management for decisions for the year 2013/14 is as follows:

### Portfolio Analysis 2013/14

2013/14	COM £'000	COR £'000	ECD £'000	ENV £'000	GEN £'000	HSG £'000	PTC £'000	SPL £'000	Total GF Portfolios £'000	HRA £'000	Grand Total £'000
Fees, charges and other service income	(302)	(1,790)	(306)	(2,331)	(448)	(150)	(5,153)	(368)	(10,849)	(25,561)	(36,410)
Government grants and contributions	(14)	(33,083)	(8)	0	(619)	(11)	(300)	0	(34,034)	0	(34,034)
<b>Total Income</b>	<b>(316)</b>	<b>(34,873)</b>	<b>(314)</b>	<b>(2,331)</b>	<b>(1,067)</b>	<b>(161)</b>	<b>(5,453)</b>	<b>(368)</b>	<b>(44,883)</b>	<b>(25,561)</b>	<b>(70,444)</b>
Employee expenses	767	2,936	518	1,646	291	863	1,250	389	8,660	2,456	11,116
Other services and expenses	484	36,743	993	4,169	471	698	1,197	2,031	46,786	7,967	54,753
Support service recharges	75	(2,983)	131	479	896	110	881	196	(215)	2,015	1,800
<b>Total Expenditure</b>	<b>1,326</b>	<b>36,696</b>	<b>1,642</b>	<b>6,294</b>	<b>1,658</b>	<b>1,671</b>	<b>3,328</b>	<b>2,616</b>	<b>55,231</b>	<b>12,438</b>	<b>67,669</b>
<b>Net Expenditure</b>	<b>1,010</b>	<b>1,823</b>	<b>1,328</b>	<b>3,963</b>	<b>591</b>	<b>1,510</b>	<b>(2,125)</b>	<b>2,248</b>	<b>10,348</b>	<b>(13,123)</b>	<b>(2,775)</b>

The reconciliation below shows how the figures in the analysis of portfolio income and expenditure related to the amounts included in the Comprehensive Income and Expenditure Statement:

	2013/14 £'000
Net expenditure in the portfolio analysis	(2,775)
Net expenditure of services and support services not included in the portfolio analysis	47
Amounts in the Comprehensive Income and Expenditure Statement not reported to management <u>for decisions</u> in the portfolio analysis	9,818
Amounts included in the portfolio analysis not included in the Comprehensive Income and Expenditure Statement	0
<b>Cost of services in the Comprehensive Income and Expenditure Statement</b>	<b>7,090</b>

**Reconciliation to Subjective Analysis**

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2013/14	Portfolio Analysis £'000	Services and Support Services Not in Analysis £'000	Amounts not Reported to Management £'000	Amounts Not Included in CI&ES £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges and other service income	(36,410)	0	0	0	0	(36,410)	(16,158)	(52,568)
Interest and Investment Income	0	0	0	0	0	0	(171)	(171)
Income from council tax	0	0	0	0	0	0	(4,355)	(4,355)
Government grants and contributions	(34,034)	0	0	0	0	(34,034)	(8,863)	(42,897)
Capital grants and contributions	0	0	0	0	0	0	(1,156)	(1,156)
<b>Total Income</b>	<b>(70,444)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(70,444)</b>	<b>(30,704)</b>	<b>(101,147)</b>
Employee expenses	11,115	0	723	0	0	11,838	5,377	17,216
Other service expenses	54,752	48	0	0	0	54,800	10,016	64,816
Support service recharges	1,800	0	0	0	0	1,800	651	2,451
Depreciation, amortisation, impairment and REFCUS	0	0	9,095	0	0	9,095	15	9,110
Interest payments	0	0	0	0	0	0	5,735	5,735
Precepts and levies	0	0	0	0	0	0	479	479
Payments to housing capital receipts pool	0	0	0	0	0	0	284	284
Gain or loss on disposal of long term assets	0	0	0	0	0	0	(359)	(359)
<b>Total Expenditure</b>	<b>67,669</b>	<b>48</b>	<b>9,818</b>	<b>0</b>	<b>0</b>	<b>77,534</b>	<b>22,197</b>	<b>99,731</b>
<b>Surplus or deficit on the provision of services</b>	<b>(2,775)</b>	<b>48</b>	<b>9,818</b>	<b>0</b>	<b>0</b>	<b>7,091</b>	<b>(8,507)</b>	<b>(1,416)</b>

## 29. Trading Operations

There are two Direct Labour Organisations currently within the Council which operate as trading accounts, these are detailed below:

### 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.

### Grounds Maintenance DLO and Nursery

Maintains the Council's parks, playing fields and other open spaces for both the general fund and HRA; and provision of plants for these purposes.

### Deane Helpline

In addition to the DLO the Council operates the Deane Helpline, which provides a 24-hour response service to the elderly and disabled.

Trading Account performance over the past three years is detailed in the table below:

		2011/12		2012/13		2013/14	
		£'000	£'000	£'000	£'000	£'000	£'000
Building Maintenance DLO	Turnover	4,526		4,806		5,536	
	Expenditure	(4,601)		(5,013)		(5,471)	
	<b>Surplus/(Deficit)</b>		<b>(75)</b>		<b>(207)</b>		<b>65</b>
Grounds Maintenance DLO	Turnover	2,783		2,817		3,270	
	Expenditure	(2,671)		(2,781)		(3,179)	
	<b>Surplus/(Deficit)</b>		<b>112</b>		<b>36</b>		<b>91</b>
<b>Net DLO Surplus/(Deficit)</b>		<b>37</b>		<b>(171)</b>		<b>156</b>	
Deane Helpline	Turnover	884		980		935	
	Expenditure	(1,001)		(1,096)		(1,085)	
	<b>Surplus/(Deficit)</b>		<b>(117)</b>		<b>(116)</b>		<b>(150)</b>
<b>Net Trading Surplus/(Deficit)</b>		<b>(80)</b>		<b>(287)</b>		<b>6</b>	

### Other fee charging service areas

In addition to the trading accounts above there are three service areas within The Council that run on a three year rolling budget ensuring that they break even during that period.

- Land Charges** – A transfer of £10,700 was made to the Land Charges Self Financing Reserve and will be spent in 2014/15
- Building Control** – A transfer of £17,540 was made to the Building Control Earmarked Reserve in 2013/14
- Licensing** – A transfer of £16,990 was made to the Licensing Self Financing Reserve to cover any future losses within the service.

**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 £	Annualised Salary At 31/03/2014 £
Chief Executive <sup>1</sup>	2013/14	113,090	1,310	0	114,400	0	114,400	110,000
	2012/13	110,908	3,702	0	114,610	0	114,610	
Strategic Director A	2013/14	78,157	1,542	0	79,699	14,259	93,958	85,000
	2012/13	54,652	5,391	0	60,043	9,436	69,479	
Strategic Director B	2013/14	73,543	1,094	0	74,637	13,532	88,169	80,000
	2012/13	71,391	5,005	0	76,396	12,480	88,876	
Strategic Director C <sup>2</sup>	2013/14	46,237	32	48,057	94,326	7,881	102,207	42,835
	2012/13	64,181	7,883	0	72,064	11,202	83,266	
Strategic Director D	2013/14	62,134	0	0	62,134	12,210	74,344	80,000
	2012/13	53,952	900	0	54,852	8,712	63,564	
Assistant Chief Executive and Monitoring Officer <sup>3</sup>	2013/14	15,875	417	0	16,292	2,921	19,213	63,500
	2012/13	0	0	0	0	0	0	
Assistant Director A	2013/14	56,684	841	0	57,525	10,430	67,955	60,000
	2012/13	53,592	1,162	0	54,754	9,460	64,214	
Assistant Director B	2013/14	56,684	1,725	0	58,409	10,430	68,839	60,000
	2012/13	53,952	3,591	0	57,543	9,460	67,003	
Assistant Director C	2013/14	57,104	1,107	0	58,211	10,430	68,641	60,000
	2012/13	53,952	4,128	0	58,080	9,504	67,584	
Assistant Director D	2013/14	57,403	1,239	0	58,642	11,293	69,935	60,000
	2012/13	50,596	3,582	0	54,178	8,423	62,601	
Assistant Director E <sup>3</sup>	2013/14	15,000	0	0	15,000	2,760	17,760	60,000
	2012/13	0	0	0	0	0	0	
Assistant Director F <sup>3</sup>	2013/14	10,000	226	0	10,226	1,840	12,066	60,000
	2012/13	0	0	0	0	0	0	
Theme Manager A <sup>2</sup>	2013/14	57,246	0	70,813	128,059	10,533	138,592	57,246
	2012/13	56,679	1,185	0	57,864	9,935	67,799	

## Notes:

- 1 The Chief Executive opted out of the pension scheme in 2012/13.
- 2 Strategic Director C and Theme Manager A left the organisation through redundancy during 2013/14 as part of the Joint Management and Shared Services review with West Somerset Council.
- 3 Assistant Chief Executive and Monitoring Officer, Assistant Director E and Assistant Director F were appointed during 2013/14 as part of the Joint Management and Shared Services review with West Somerset Council.
- 4 Strategic Director C went from 1 FTE to 0.6FTE in January 2013
- 5 During 2013/14 Taunton Deane Borough Council approved plans to share a joint management team with West Somerset Council and the above represents the full cost of remuneration. From 1 January 2014 the above posts excluding Strategic Director C and Theme Manager A, who left the organisation through redundancy, were shared with West Somerset Council except the Chief Executive who took up the role on 24 October 2013 and Assistant Director F who took up the role on 1 February 2014. From these dates the split of remuneration was 80:20 to Taunton Deane: West Somerset except the Strategic Director D where the split is 90:10 TO Taunton Deane: West Somerset and the Chief Executive, Assistant Chief Executive and Monitoring Officer and Assistant Director F where the split is 50:50 to Taunton Deane: West Somerset.

The table below shows the number of other employees, (excluding the senior employees in the table above) whose remuneration, (excluding employer's pension contributions) was £50,000 or more for the year in bands of £5,000 were:

Remuneration band	2012/13 Number of employees	2013/14 Number of employees
£50,000 - £54,999	2	2
£55,000 - £59,999	3	0
£60,000 - £64,999	0	0
£65,000 - £69,999	0	1
£70,000 - £74,999	0	0
£75,000 - £79,999	0	0
£80,000 - £84,999	0	0
£85,000 - £89,999	0	0
£90,000 - £94,000	0	0
£95,000 - £99,999	0	0
£100,000 - £104,999	0	0
£105,000 - £109,999	0	0
£110,000 - £114,999	0	0
£115,000 - £119,999	0	0
£120,000 - £124,999	0	0
£125,000 - £129,999	0	0
£130,000 - £134,999	0	0
£135,000 - £139,999	0	1

Exit package cost band (including special payments)	Number of other departures agreed		Number of compulsory redundancies		Total number of exit packages by cost band		Total cost of exit packages in each band £	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
£0 - £20,000	0	0	0	3	0	3	0	25,530



£20,001 - £40,000	0	0	0	4	0	4	0	128,160
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	3	0	3	0	212,580
£80,001 - £100,000	0	0	0	2	0	2	0	181,450
£100,000 - £150,000	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12</b>	<b>0</b>	<b>12</b>	<b>0</b>	<b>547,720</b>

### 31. Members' Allowances

The table below shows the amounts payable by the Authority to Members of the Council as allowances and expenses during the year. More details of what was paid to our Members is available on our website: [www.tauntondeane.gov.uk](http://www.tauntondeane.gov.uk).

	2012/13 £'000	2013/14 £'000
Allowances	309	298
Expenses	17	27
<b>Total</b>	<b>326</b>	<b>325</b>

### 32. 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.

2012/13 £'000		2013/14 £'000
83	Fees payable with regard to external audit services carried out by the appointed auditor*	67
31	Fees payable the certification of grant claims and returns	17
1	Fees payable in respect of other services provided during the year	2
<b>115</b>	<b>Total</b>	<b>86</b>

\* In 2012/13 the fees payable for external auditor services include an additional charge for work completed due to an objection to the 2011/12 accounts.

### 33. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14:

2012/13 £'000		2013/14 £'000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
104	Revenue Support Grant	3,556
278	Council Tax Freeze Grant*	57
1,040	New Homes Bonus	1,747
141	Local Services Support Grant	0
383	Capital Grants	437
<b>1,946</b>	<b>Total</b>	<b>5,797</b>

	<b>Credited to Services</b>	
6,898	Council Tax Benefit	0
18,021	Rent Allowances	18,755
12,985	Rent Rebates	13,228
733	Housing Benefit Admin	692
287	Other Grants	1,469
<b>38,924</b>	<b>Total</b>	<b>34,144</b>

\* Included in the Council Tax Freeze Grant figure for 2012/13 is £138k which the Government has technically distributed under the Non- domestic rates grant and Revenue Support Grant. The Council has chosen to split this out to try and show the total amount of funding under the Council Tax freeze grant.

### 34. Related Parties

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

#### UK Central Government

UK Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, 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). Grants income is shown in Note 33.

Transactions to and from the Pension Fund are detailed in Note 38.

#### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2013/14 is shown in Note 31.

During 2004/05, the Council created a Leisure Trust, Tone Leisure, to manage its leisure services on its behalf. The Council has two Councillors on the board of Tone Leisure Ltd, but does not have overall control of the trust.

The Council is part of a joint venture partnership, Southwest One, between Taunton Deane Borough Council, Somerset County Council, Avon and Somerset Police and IBM that was established in 2007 to deliver back office and customer services and a number of wider transformation projects. The Main Board comprises an Independent Chair and Directors representing IBM and each of the founding authorities – the Chief Executive of the Police Authority representing Avon & Somerset Police and, in the case of each Council, an Elected Member. The contract costs for these services are laid out within the original contract and are therefore not influenced by the board.

The Council paid grants totalling £221,874 to voluntary organisations. A grant of £9,000 was awarded to North Taunton Partnership for which one Member has declared an interest as a trustee. In all instances,

the grants were made with proper consideration of declarations of interest. The relevant Member did not take part in any discussion or decision relating to the grants. Details of all these interests are recorded in the Register of Members Interests, open to public inspection at the Council office during office hours.

## Officers

During 2013/14 no senior officers of the Council declared any material pecuniary interest in any works, services or grants commissioned or awarded by the Council.

## 35. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, 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:

<i>Capital Financing Requirement (CFR)</i>	<b>2012/13 £'000</b>	<b>2013/14 £'000</b>
<b>Opening Capital Financing Requirement</b>	<b>107,280</b>	<b>105,538</b>
<i>Capital Investment</i>		
Property Plant and Equipment	8,324	11,942
Loans made for service purposes	318	0
Intangible Assets	15	78
Revenue Expenditure Funded from Capital Under Statute	1,028	977
	<b>116,965</b>	<b>118,535</b>
<i>Sources of Finance</i>		
Capital Receipts	(435)	(2,441)
Government Grants and Other Contributions	(2,740)	(1,328)
Major Repairs Allowance	(4,650)	(6,561)
<i>Sums Set Aside from Revenue</i>		
Direct Revenue Contributions	(1,001)	(2,234)
Minimum Revenue Provision	(2,601)	(2,581)
	<b>(11,427)</b>	<b>(15,145)</b>
<b>Closing Capital Financing Requirement</b>	<b>105,538</b>	<b>103,390</b>

Explanation of movements in the Capital Financing Requirement in year:

	<b>2012/13 £'000</b>	<b>2013/14 £'000</b>
Increase in underlying need to borrow (unsupported by government financial assistance)	859	433
Decrease in underlying need to borrow (unsupported by government financial assistance)	(2,601)	(2,376)
<b>Increase/(Decrease) in the Capital Financing Requirement</b>	<b>(1,742)</b>	<b>(1,943)</b>

### 36. Leases

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. IAS17 Leases (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. 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.

#### Council as Lessee

##### Operating Leases

The Council has recorded 64 leases for vehicles ranging from vans, lorries and cars to specialist mowers. Lease periods range from 1 to 5 years, most commonly 5 years, and all current operating leases expire by March 2018. The Council also leases a number of properties on operating leases. The total of future minimum lease payments due in future years are:

	31 March 2013 £'000	31 March 2014 £'000
Not later than one year	170	162
Later than one year and not later than five years	237	152
Later than five years and not later than ten years	13	11
Later than ten years	49	49
<b>Total payments due in future years</b>	<b>469</b>	<b>374</b>

All leased vehicles are used by Taunton Deane DLO, and the total lease payments charged to the Comprehensive Income and Expenditure Statement during the year was:

	2012/13 £'000	2013/14 £'000
Minimum lease payments	170	170
<b>Total expenditure charged</b>	<b>170</b>	<b>170</b>

#### Council as Lessor

##### Finance Leases

During the year the Council leased out a property to Somerset County Council on a finance lease for 37 years. The lease is on a peppercorn rent.

The Council has a number of other on-going finance leases from previous years which are on a peppercorn rent. There is also another finance lease to Somerset County Council that under IFRS transition rules the annual rental income of £17k is credited as revenue income in the Comprehensive Income and Expenditure Statement.

##### 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 are treated as operating leases.

Due to 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 are 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 below are therefore a reasoned estimate assuming that annual lease income remains constant.

### Operating Leases:

<i>Operating leases:</i>	<b>31 March 2013</b> <b>£'000</b>	<b>31 March 2014</b> <b>£'000</b>
Not later than one year	635	664
Later than one year and not later than five years	2,334	2,440
Later than five years and not later than ten years	2,501	2,614
<b>Total payments due in future years</b>	<b>5,470</b>	<b>5,718</b>

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. Due to 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.

### 37. Termination Benefits

The Council terminated the contracts of ten of its employees in 2013/14, compared to none in 2012/13. As part of the Joint Management and Shared Service (JMASS) partnership with West Somerset the Councils jointly terminated the contracts of a further two employees in 2013/14. See note 30 for the number of exit packages and total cost per band.\*

### 38. Defined Benefit Pensions Schemes

#### Participation in Pension 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 post employment benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge 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 and the HRA via the Movement in Reserves Statement. The following transactions shown in the table 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		
	2012/13 £'000	Restated 2012/13 £'000	2013/14 £'000
<b>Comprehensive Income and Expenditure Statement (CIES)</b>			
<b>Cost of Services:</b>			
Service Cost	0	2,206	3,327
Current service cost	2,882	0	0
Past service costs	0	0	46
Settlements and curtailments	(676)	0	0
Administration expenses	0	8	29
<b>Financing and Investment Income and Expenditure:</b>			
Net interest on the defined liability	0	2,955	2,966
Interest Cost	5,766	0	0
Expected return on scheme assets	(3,700)	0	0
<b>Total Post-Employment Benefits charged to the Surplus on the Provision of Services</b>	<b>4,272</b>	<b>5,169</b>	<b>6,368</b>
<b>Remeasurement of the net defined benefit liability comprising:</b>			
Return on assets (excluding the amount included in net interest expense)	0	(6,805)	(1,009)
Change in financial assumptions	0	8,222	303
Change in demographic assumptions	0	0	4,624
Experience (gain)/loss on defined benefit obligation	0	92	(9,875)
Other actuarial (gains)/losses on assets	0	0	(989)
Prior to new standard - Actuarial (Gains) and Losses	2,406	0	0
<b>Total Post Employment Benefit Charged to the CIES</b>	<b>2,406</b>	<b>1,509</b>	<b>(6,946)</b>
<b>Movement in Reserves Statement</b>			
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	<b>(4,272)</b>	<b>(5,169)</b>	<b>(6,368)</b>
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>			
Employers contributions payable to scheme	<b>2,091</b>	<b>2,091</b>	<b>2,328</b>

**Assets and Liabilities in Relation to Post-employment Benefits**

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Funded Liabilities: Local Government Pension Scheme		
	2012/13 £'000	Restated 2012/13 £'000	2013/14 £'000
<b>Opening balance at 1 April</b>	<b>(128,844)</b>	<b>(128,844)</b>	<b>(139,890)</b>
Current service cost	(2,882)	(2,882)	(3,327)
Interest cost	(5,766)	(5,766)	(5,931)
Change in financial assumptions	0	(8,222)	(303)
Change in demographic assumptions	0	0	(4,624)
Experience (loss)/gain on defined benefit obligation	0	(92)	9,875
Contributions by scheme participants	(734)	(734)	(749)
Actuarial gains and (losses)	(8,314)	0	0
Benefits paid	4,608	4,608	4,597
Past service costs, including curtailments	0	0	(46)
Settlements	1,885	1,885	0
Unfunded pension payments	157	157	156
<b>Closing balance at 31 March</b>	<b>(139,890)</b>	<b>(139,890)</b>	<b>(140,242)</b>

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme		
	2012/13 £'000	Restated 2012/13 £'000	2013/14 £'000
<b>Opening balance at 1 April</b>	<b>63,331</b>	<b>63,331</b>	<b>69,790</b>
Expected rate of return	3,700	0	0
Interest on assets	0	2,811	2,965
Return on assets less interest	0	6,805	1,009
Other actuarial gains/(losses)	0	0	989
Actuarial gains and losses	5,908	0	0
Administration expenses	0	(8)	(29)
Employer contributions	2,091	2,091	2,328
Contributions by scheme participants	734	734	749
Benefits Paid	(4,765)	(4,765)	(4,753)
Payment of bulk transfer value	(1,209)	(1,209)	0
<b>Closing balance at 31 March</b>	<b>69,790</b>	<b>69,790</b>	<b>73,048</b>

## Expected Return on Assets

For accounting years beginning on or after 1 January 2013, the expected return and the interest cost will be replaced with a single net interest cost, which will effectively set the expected return equal to the discount rate.

The actual return on scheme assets in the year was £3,974,000 (2012/13 £9,608,000)

## Scheme History

	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000
Present value of liabilities	(120,887)	(109,053)	(128,844)	(139,890)	(140,242)
*Fair value of assets	59,433	63,636	63,331	69,790	73,048
<b>Surplus/(Deficit) in the scheme</b>	<b>(61,454)</b>	<b>(45,417)</b>	<b>(65,513)</b>	<b>(70,100)</b>	<b>(67,194)</b>

\*From the information we have received from the Administering Authority we understand that of the total Fund of 28 February 2014, 1% of Equities and 9% of Property did not have a quoted market price in an active market.

- The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £67,194,000 has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. 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 of employees (i.e. 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 2015 is: £2,319,000.

## 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 has been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 31 March 2013.

The principal assumptions used by the actuary are detailed in the table below:	Local Government Pension Scheme	
	2012/13	2013/14
<b>Long-term expected rate of return on assets in the scheme:</b>		
Equity investments	6%	6%
Government Bonds	6%	6%
Corporate Bonds	6%	6%
Property	6%	6%
Cash	6%	6%
<b>Mortality assumptions</b>		
<b>Longevity at 65 for pensioners retiring today:</b>		
Men	20.1	23.6
Women	24.1	26.0
<b>Longevity at 65 for pensioners retiring in 20 years:</b>		
Men	22.1	25.8



The principal assumptions used by the actuary are detailed in the table below:	Local Government Pension Scheme	
	2012/13	2013/14
Women	26.0	28.3
<b>Financial assumptions</b>		
RPI Increases	3.3%	3.6%
CPI Increases	2.5%	2.8%
Rate of increase in salaries	4.7%	4.6%
Rate of increase in pensions	2.5%	2.8%
Rate for discounting scheme liabilities	4.3%	4.5%
Take-up of option to convert annual pension into retirement lump sum	Not available	10%

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

	31 March 2013	31 March 2014
Equity Investments	72%	71%
Gilts	8%	6%
Other Bonds	11%	11%
Property	8%	10%
Cash	1%	2%

### Sensitivity Analysis:

	Local Government Pension Scheme		
	£'000	£'000	£'000
<b>Adjustment to discount rate</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	137,712	140,242	142,821
Projected service cost	2,749	2,817	2,886
<b>Adjustment to long term salary increase</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	140,620	140,242	139,866
Projected service cost	2,817	2,817	2,817
<b>Adjustment to pension increases and deferred revaluation</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	142,483	140,242	138,044
Projected service cost	2,887	2,817	2,748
<b>Adjustment to mortality age rating assumption</b>	<b>+1 Year</b>	<b>None</b>	<b>-1 Year</b>
Present value of total obligation	135,442	140,242	145,083
Projected service cost	2,723	2,817	2,911

## 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 2014 has not been included within the Council's main financial statements. 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 £1.761m (2012/13 £1.920m).

### Business Rates Retention

A provision for current and backdated appeals of £2.942m has been set up as part of the changes to Business Rates as a requirement of the Code. There could be future appeals in respect of rates billed to date but there is no reasonable basis of estimating what that total could be.

### South West Audit Partnership Limited

In March 2013, new governance arrangements were approved with the formation of a new company limited by guarantee to replace the previous Joint Committee. At its Full Council meeting on 4 March 2013, Taunton Deane Borough Council elected to become a Member of the Company – South West Audit Partnership Ltd – with effect from 1 April 2013. At the same meeting the Council offered to guarantee to the Somerset Pension Fund the level of deficit funding related to ex-TDBC employees, estimated at £149k.

### 40. Contingent Assets

The Council has identified no material contingent assets in 2013/14.

### 41. Nature and Extent of Risks Arising From Financial Instruments

The Council has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with The Prudential Code for Capital Finance in Local Authorities (both revised in November 2011).

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Communities and Local Government Investment Guidance for Local Authorities. This guidance emphasises that priority is to be given to security and liquidity rather than yield. The Council's Treasury Strategy, together with its Treasury Management Practices, are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The main risks covered are:

- **Credit Risk** - The possibility that one party to a financial instrument will fail to meet its contractual obligations, causing a loss for the other party.
- **Liquidity Risk** - The possibility that the Council might not have the cash available to make its contracted payments on time.
- **Market Risk** - The possibility that financial loss will materialise because of changes in market variables such as interest rates or equity prices.

### Credit Risk: Investments

The Council manages credit risk by ensuring that investments are placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, and other local authorities without credit ratings. Recognising that

credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial organisations for investment.

A limit of up to £3.5m is placed on the amount of money that can be invested with a single counterparty. The Council also sets a total group investment limit for institutions that are part of the same banking group. No more than £3.5m in total can be invested for a period of longer than a year.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £3.5m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2014 that this was likely to crystallise.

The Council does not hold collateral against any investments.

The table below summarises the credit risk exposures of the Council's investment portfolio by credit rating:

Credit Rating	Short Term	
	31/03/2013 £'000	31/03/2014 £'000
AAA	8,300	0
AA-	1,000	0
A+	2,500	0
A	6,500	0
A-	0	25,700
<b>Total</b>	<b>18,300</b>	<b>25,700</b>

### Trade Receivables

During 2013/14 the Council continued to carefully review historic debtor balances and has written off old irrecoverable debts. The Council has a policy of exploring cost effective ways to ensure debts are fully recovered and thus minimise exposure to credit risk.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on the experience gathered on the level of default on trade debtors, adjusted for current market conditions. Only those receivables meeting the definition of a financial asset are included.

Balances and transactions arising from statutory functions such as Council Tax and NNDR are excluded from this disclosure note, as they have not arisen from contractual trading activities. However, the analysis below does include amounts owed to the Council by Central Government, other Local Authorities and NHS bodies.

31 March 2013 Trade Debtors £'000		31 March 2014 Trade Debtors £'000	31 March 2014 Impairment £'000	31 March 2014 Trade Debtors not impaired £'000
1,205	Less than three months	1,061	0	1,061
47	Over three months up to six months	33	9	24
111	Over six months up to one year	84	23	61
579	More than one year	167	142	25
<b>1,942</b>		<b>1,345</b>	<b>174</b>	<b>1,171</b>

### Liquidity Risk

The authority has ready access to borrowing at favourable rates from the Public Works Loans Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. The risk is managed by maintaining a spread of fixed rate loans.

The maturity analysis of the principal sums borrowed is as follows

	Long-term		Short Term	
	31 March 2014 £'000	31 March 2013 £'000	31 March 2014 £'000	31 March 2013 £'000
<b>Loans by Type</b>				
Public Works Loan Board	89,268	91,341	2,073	0
Other Financial Institutions	3,038	3,038	0	0
	<b>92,306</b>	<b>94,379</b>	<b>2,073</b>	<b>0</b>
<b>Loans by Maturity</b>				
Less than 1 year	0	0	2,073	0
Over 1 but not over 2 years	0	2,073		
Over 2 but not over 5 years	12,699	6,699		
Over 5 but not over 10 years	26,004	25,004		
Over 10 but not over 15 years	36,010	43,010		
Over 15 but not over 20 years	10,503	10,503		
More than 20 years	7,090	7,090		
	<b>92,306</b>	<b>94,379</b>	<b>2,073</b>	<b>0</b>

The Council has a £3m "Lender's option, borrower's option" (LOBO) loan due to mature in 2077. This is where the lender has the option to propose an increase in the rate payable, the Council will have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay these loans.

## Market Risk

### Interest Rate Risk

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

- Borrowings at variable rates – the interest expense will rise
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- Investments at variable rates – the interest income credited will rise
- Investments at fixed rates – the fair value of the assets will fall

Investments classed as "loans and receivables" and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on 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. Movements in the fair value of fixed rate investments classed as "available for sale" will be reflected in Other Comprehensive Income and Expenditure.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates.

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

	2012/13	2013/14
	£'000	£'000
Increase in interest payable on variable rate borrowings	50	50
Increase in interest receivable on variable rate investments	(113)	(237)
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>(63)</b>	<b>(207)</b>
Decrease in fair value of fixed rate borrowings	10,037	10,037

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

### Price Risk

The Council does not generally invest in equity shares and is therefore not subject to equity price risk.

### 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. Trust Funds

The Council acts as a sole trustee for two trust funds: Galmington Trust and Greenway Trust. These were both created by a Deed of Gift from members of the public. They enable the provision of open spaces and facilities for sport and recreation for the general public. As a trustee the Council holds the property but does not own the assets. The Council has responsibility for controlling the assets of the Trust Funds and is accountable for any losses on the funds.

### 2013/14

	Income £'000	Expenditure £'000	Assets £'000	Liabilities £'000
Galmington Trust	0	0	129	(11)
Greenway Trust	0	0	5	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>134</b>	<b>(11)</b>

### 2012/13

	Income £'000	Expenditure £'000	Assets £'000	Liabilities £'000
Galmington Trust	(12)	12	129	(11)
Greenway Trust	(5)	5	5	0
<b>Total</b>	<b>(17)</b>	<b>17</b>	<b>134</b>	<b>(11)</b>

## 43. Group Accounts

The Council's Statement of Accounts previously consisted of group accounts. There is a requirement to consolidate into the Council's own accounts (as a single entity) the financial activities of outside organisations such as subsidiaries, joint ventures and associates subject to the consideration of

materiality. 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.

The Council has considered the materiality of the organisations previously included in the Group Accounts and it has concluded that the figures are not material enough to warrant the production of group accounts.

The following organisations were previously included in the 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 level of voting rights that it has on the Leisure Trust Board is 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. Full details of Tone Leisure's accounts are available from: The Finance Director, Tone Leisure, The Deane House, Belvedere Road, Taunton, TA1 1HE

#### **2. Trust Funds**

The Council administers the assets of two Trust Funds Galmington and Greenway. 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. The Trust Funds are shown in note 42.



## Statement of Movement on the HRA Balance

2012/13 (Restated)			2013/14	
£'000	£'000		£'000	£'000
	<b>1,356</b>	<b>Balance on the HRA at the end of the year</b>		<b>2,247</b>
4,156		Surplus or (deficit) for the year on the HRA Income and Expenditure Account	3,511	
(1,982)		Adjustments between accounting basis and funding under statute (see analysis below)	(2,984)	
2,174		Net Increase or (decrease) before transfers to or from reserves	527	
(845)		Transfers (to) or from reserves	705	
(438)		Other movements	(420)	
	891	Increase or (decrease) in the year on the HRA		812
	<b>2,247</b>	<b>Balance on the HRA at the end of the current year</b>		<b>3,059</b>

## 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.

2012/13		2013/14
£'000		£'000
(38)	Difference between amounts charged to HRA Income and Expenditure for premiums and discounts and the charge for the year determined in accordance with statute	0
24	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statute requirements	(2)
(758)	Reversal of (gain) or loss on sale of HRA non-current assets	(264)
0	Capital Expenditure charged against revenue	(1,445)
533	HRA share of contributions to or from the Pensions Reserve	578
(6,847)	Transfer to/(from) the Major Repairs Reserve	(6,826)
5,104	Transfer to/(from) the Capital Adjustment Account	4,975
<b>(1,982)</b>		<b>(2,984)</b>





## Notes to the Supplementary Statements

## Housing Revenue Account

## A Housing Stock

The Council was responsible for managing around 6,000 dwellings during 2012/13. The stock at 31 March was made up as follows:

	31 March 2013	31 March 2014
Houses	2,998	2,963
Bungalows	861	859
Flats and Maisonettes	2,111	2,082
	<b>5,970</b>	<b>5,904</b>
Shared Equity	1	1
	<b>5,971</b>	<b>5,905</b>

The change in stock in was made up of 48 sales, 13 acquisitions and the disposal of 31 dwellings to a housing association for redevelopment.

## B Value of Assets

The balance sheet value of HRA assets at 31 March 2013 and 31 March 2014 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
<b>Cost or Valuation</b>								
At 1 April 2013	206,400	19,136	103	1,987	227,626	513	683	228,822
Additions	8,572	0	17	0	8,589	0	57	8,646
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(2,447)	(21)	0	0	(2,468)	6	0	(2,462)
Derecognition – Disposals	(1,257)	0	0	0	(1,257)	(577)	0	(1,834)
Derecognition - Other	(746)	105	0	0	(641)	0	0	(641)
Reclassified (to)/from Held for Sale	(630)	0	0	0	(630)	630	0	0
<b>At 31 March 2014</b>	<b>209,892</b>	<b>19,220</b>	<b>120</b>	<b>1,987</b>	<b>231,219</b>	<b>572</b>	<b>740</b>	<b>232,532</b>
<b>Accumulated Depreciation and Impairments</b>								
At 1 April 2013	0	(234)	(61)	(256)	(551)	0	(362)	(913)
Depreciation Charge	(6,414)	(284)	(9)	(51)	(6,758)	0	(68)	(6,826)
Depreciation written out to the Revaluation Reserve	6,414	214	0	0	6,628	0	0	6,628
<b>At 31 March 2014</b>	<b>0</b>	<b>(304)</b>	<b>(70)</b>	<b>(307)</b>	<b>(681)</b>	<b>0</b>	<b>(430)</b>	<b>(1,111)</b>
<b>Net Book Value as at 31 March 2014</b>	<b>209,892</b>	<b>18,916</b>	<b>50</b>	<b>1,680</b>	<b>230,538</b>	<b>572</b>	<b>310</b>	<b>231,420</b>

<b>Comparatives 2012/13</b>	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	<b>TOTAL Assets £'000</b>
<b>Cost or Valuation</b>								
At 1 April 2012	208,800	19,362	77	1,987	<b>230,226</b>	252	668	<b>231,146</b>
Additions	4,610	0	26	0	<b>4,636</b>	0	15	<b>4,651</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(5,305)	(90)	0	0	<b>(5,395)</b>	0	0	<b>(5,395)</b>
Derecognition – Disposals	(1,361)	(96)	0	0	<b>(1,457)</b>	(123)	0	<b>(1,580)</b>
Derecognition - Other	40	(40)	0	0	<b>0</b>			
Assets reclassified (to)/from Held for Sale	(384)	0	0	0	<b>(384)</b>	384	0	<b>0</b>
<b>At 31 March 2013</b>	<b>206,400</b>	<b>19,136</b>	<b>103</b>	<b>1,987</b>	<b>227,626</b>	<b>513</b>	<b>683</b>	<b>228,822</b>
<b>Accumulated Depreciation and Impairments</b>								
At 1 April 2012	(4,026)	(717)	(57)	(205)	<b>(5,005)</b>	0	(295)	<b>(5,300)</b>
Depreciation Charge	(6,434)	(291)	(4)	(51)	<b>(6,780)</b>	0	(67)	<b>(6,847)</b>
Depreciation written out to the Revaluation Reserve	10,374	760	0	0	<b>11,134</b>	0	0	<b>11,134</b>
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	96	0	0	0	<b>96</b>	0	0	<b>96</b>
Derecognition – Disposals	0	4	0	0	<b>4</b>	0	0	<b>4</b>
Derecognition - Other	(10)	10	0	0	<b>0</b>	0	0	<b>0</b>
<b>At 31 March 2013</b>	<b>0</b>	<b>(234)</b>	<b>(61)</b>	<b>(256)</b>	<b>(551)</b>	<b>0</b>	<b>(362)</b>	<b>(913)</b>
<b>Net Book Value as at 31 March 2013</b>	<b>206,400</b>	<b>18,902</b>	<b>42</b>	<b>1,731</b>	<b>227,075</b>	<b>513</b>	<b>321</b>	<b>227,909</b>

### C Value of Dwellings at 1 April 2013

The open market value of dwellings within the HRA at 1 April 2013 is £651,045,127 compared with the balance sheet value of £209,892,357. The difference of £441,152,770 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:

<b>31 March 2013</b>		<b>31 March 2014</b>
<b>£'000</b>		<b>£'000</b>
568	Rent arrears	519
(316)	Provision for bad debts	(288)
<b>252</b>	<b>Anticipated collectable arrears</b>	<b>231</b>
2.5%	Arrears as % of gross rent income	2.2%

**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 0.78% (0.76% in 2012/13) of available properties were vacant. Average weekly rents were £77.17, an increase of £4.43 (6.09%) 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.

2012/13		2013/14
£'000		£'000
<b>0</b>	<b>Balance at 1 April</b>	<b>2,198</b>
6,434	Transfer dwelling depreciation to MRR	0
413	Transfer non dwelling depreciation to MRR	6,826
(4,650)	Financing of HRA Capital Expenditure	(6,561)
1	Rounding differences	0
<b>2,198</b>	<b>Balance at 31 March</b>	<b>2,463</b>

**H Revenue Expenditure funded from Capital under Statute**

The following items of capital expenditure were charged to the HRA:

2012/13		2013/14
£'000		£'000
0	Capital Expenditure	1,445
<b>0</b>	<b>Total</b>	<b>1,445</b>

**I Total Capital Expenditure and Receipts**

2012/13		2013/14
£'000		£'000
	<b>HRA Capital Expenditure</b>	
4,610	Dwellings	8,567
15	Intangible Assets	58
25	Vehicles Plant and Equipment	22
<b>4,650</b>		<b>8,647</b>
	<b>Financed By</b>	
0	Capital receipts	641
0	Contribution from revenue	1,445
4,650	Major repairs reserve	6,561
<b>4,650</b>		<b>8,647</b>

The table below shows the amount of capital receipts received by the HRA and what they were for:

2012/13	Housing Capital Receipts	2013/14
£'000		£'000
2,330	Dwellings	2,705
51	Land	206
(48)	Administrative cost of sales	(61)
<b>2,333</b>		<b>2,850</b>

**J 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 £145,605 (2012/13 £112,799) 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.

**The accounting standard IAS 19 – Employee Benefits has changed.**

The overall impact of this change has been explained in Note 1 to the accounts and affect the 2012/13 reporting as well as having an ongoing impact. A proportion of the changes made affect the HRA. These changes are those of recategorisation and do not impact on the HRA fund balance. The reporting changes are simply those of presentation and we have therefore restated the 2012/13 figures for clarity. Please see Note 1 for the full details.

**Collection Fund****K Council Tax**

The Council's tax base for 2013/14, 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)	4.50	5/9	2.50
A	4,037.12	6/9	2,691.41
B	11,306.98	7/9	8,794.32
C	8,049.05	8/9	7,154.71
D	6,233.44	9/9	6,233.44
E	5,054.06	11/9	6,177.19
F	3,052.92	13/9	4,409.77
G	1,417.89	15/9	2,363.16
H	59.66	18/9	119.33
	39,215.62		<b>37,945.83</b>
Less Adjustment for Collection Rates			(665.23)
Council Tax Base			<b>37,280.60</b>

## L 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 Local Government Act 2012 introduced a business rates retention scheme that enables local authorities to retain a proportion of the business rates generated in their area. TDBC pays 50 per cent to the Government, 9 per cent to Somerset County Council, 1 per cent to Devon and Somerset Fire Authority and retains 40 per cent.

The total non-domestic rateable value at 31 March 2014 was £101,419,865 (31 March 2013 £101,623,760). The standard national non-domestic multiplier for the year was £0.471 (2012/13 £0.458); the national non-domestic small business multiplier for the year was £0.462 (2012/13 £0.450).

## M Band D Council Tax

The breakdown of a Band D Council Tax is shown in the table below.

2012/13	Council Tax Levy at Band D	2013/14
£		£
1,027.30	Somerset County Council	1,027.30
168.03	Avon & Somerset Police Authority	168.03
73.92	Devon & Somerset Fire & Rescue Authority	75.39
135.19	Taunton Deane Borough Council	135.19
1,404.44		1,405.91
12.85	Add Town & Parish Council (average)	13.96
<b>1,417.29</b>	Average Council Tax Levy at Band D	<b>1,419.87</b>

## 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.

### **Amortised Cost**

The amount at which a financial asset or liability is measured at initial cost minus repayments and impairment, plus or minus the cumulative amortisation of the difference between the initial amount and the maturity amount. Amortisation is worked out using the effective interest rate (EIR).

### **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.

### **Assets under Construction**

Assets under construction are assets that are currently being developed and are not yet completed. They are capitalised at cost.

### **Band D Equivalent**

A band D is the average property valuation band. This is calculated by multiplying the number of properties by the band D ratio to produce an equated tax base i.e. as if all properties were in band D.

### **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.

### **Cash Equivalents**

Cash equivalents are short-term highly liquid investments that are readily convertible into known amounts of cash which are subject to an insignificant risk of changes in value.

**Capital Financing Requirement (CFR)**

CFR measures an authority's underlying need to borrow or finance by other long-term liabilities for a capital purpose.

**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.

**CIPFA/LASAAC**

This board is responsible for preparing, maintaining, developing and issuing the Code of Practice on Local Authority Accounting for the United Kingdom. The board is a partnership between CIPFA England and the Local Authority (Scotland) Accounts Advisory Committee.

**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 its own general fund.

**Collection Fund Adjustment Account**

The collection fund adjustment account represents the Council's share of the collection fund surplus or deficit.

**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.

**Componentisation**

Where an asset is split into significant components (e.g. a building could be split into building/windows/roof/boiler) to enable them to be depreciated over their separate useful lives.

**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.

**Earmarked Reserves**

Amounts of money set aside for a specific purpose.

**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**

The amount for which an asset could be exchanged, or liability settled between knowledgeable and willing parties in an arm's length transaction.

**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.

**Financial Instruments Adjustment Account**

The financial instruments adjustment account balance represents the amount that should have been charged to the Comprehensive Income and Expenditure Statement in accordance with proper accounting practices under the Code of Practice but which statutory provisions allow or require it to be deferred over future years e.g. premiums for the early redemption of loans or discounts for soft loans.

**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.

### **Heritage Assets**

A heritage asset is described as an asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

### **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.

**Liquid Resources**

Assets which are readily convertible into known amounts of cash.

**Loans and Receivables**

Loans and receivables are financial instruments that have fixed or determinable payments and are not quoted on the stock market.

**LGA**

The Local Government Association is the national voice of local government. They work with councils to support, promote and improve local government.

**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.

**Money Market Funds**

A money market fund is an open-ended mutual fund that invests in short term debt securities.

**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.

**Rateable Value**

Estimate of the value of a property which is used as a basis for local taxation.

**Re-chargeable 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 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.

**SeRCOP**

The CIPFA Service Reporting Code of Practice (SeRCOP) applies to all local authority services throughout the United Kingdom from 1 April 2013 for the preparation of 2013/14 Budgets, Performance Indicators and Statement of Accounts.

**Support Service Recharges**

The allocation of the costs of back office functions such as Accountancy, HR or ICT etc to front line services.

**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.

# Taunton Deane Borough Council

## Corporate Governance Committee – 22 September 2014

### Risk Management Update

#### Report of the Performance Lead

(This matter is the responsibility of Executive Councillor Vivienne Stock-Williams)

#### 1. Executive Summary

This report provides an update on the corporate risks which are being managed by the Joint Management Team (JMT) as well as an action plan for improving risk management within the Council.

#### 2. Background

##### 2.1 Introduction

2.2 The Council has a duty of care to its stakeholders - residents, employees, Members and partners. This encompasses having high standards of governance including the principles of inspiring leadership, demonstrating integrity, accountability and achieving value for money.

2.3 Taunton Deane Borough Council recognises the importance of effective identification, evaluation and management of all key strategic and operational risks. This is endorsed by the increased focus on the importance of Corporate Governance to public sector bodies. The Council also has a statutory responsibility to have in place arrangements for managing risks, as stated in the Accounts & Audit Regulations 2003:

*“The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body’s functions and which includes the arrangements for the management of risk.”*

2.4 Risk management is a key element of the Council’s overarching Governance arrangements.

2.5 Risk management covers the whole spectrum of risks and not just those associated with finance, health & safety, business continuity and insurance. It also includes risks associated with: service provision, effectiveness and continuity; public image (reputation); compliance with legislation; and environment.

2.6 Risk management is not about being ‘risk averse’ – it is about being ‘risk aware’. Risk is ever present and some amount of risk taking is inevitable if the Council is to achieve its objectives. Risk Management is about making the most of opportunities and about achieving objectives once those decisions are made. By being ‘risk aware’ the Council is in a better position to avoid threats and take advantage of opportunities.

### 3 Corporate Risk Management Update

3.1 The current risk matrix in relation to the Corporate Risk Register is shown below:

		IMPACT				
		1. Insignificant	2. Minor	3. Significant	4. Major	5. Critical
PROBABILITY	5 Very Likely					
	4 Likely					5
	3 Feasible			17	9, 10, 11, 12,13,15	4,6,8, 14
	2 Slight			16		1,2,3, 7
	1 Unlikely					18

3.2 The Corporate Risk Register is a ‘live’ document which highlights the key corporate risks facing the Council and is formally reviewed by JMT on a quarterly basis as part of the corporate performance review day. The last review took place on 23rd July. The next is planned for October.

3.3 A copy of the refreshed Corporate Risk Register for 2014 is found in **Appendix A**.

#### 3.4 Risk Movement

3.5 There are currently **18** risks which have been identified for inclusion on the Corporate Risk Register. This is an increase of 1 from the last time an update as provided to the Corporate Governance Committee on 10th March 2014.

3.6 This additional risk is the result of the previous single risk, relating to failure to deliver housing and employment land growth, as set out in the Development Plan, being split into two separate risks (one for housing and one for employment land) – see risks 11 and 12 on the register.

- 3.7 Risk 2 (Wider Transformation programme) has moved from Red to Amber following additional control measures being in place.

#### 4 Risk Management Action Plan

- 4.1 The following actions, around improving the risk management process (rather than as mitigating actions in respect of particular risks) have been identified for attention during the remainder of 2014/15:

Ref	Action	Priority (H/M/L)
1	Draft Joint Risk Management Strategy for WSC/TDBC and take through democratic process.	H
2	Articulate Corporate Risk Appetite and include within Strategy.	H
3	Investigate ICT solution for managing risk and risk mitigation actions as part of wider solution for performance management and audit action tracking.	M
4	Reposition risk management into a 'business as usual' activity within service plans, rather than as a stand-alone activity.	M
5	Improve robustness of 'Risk' section of Member reports – ensure all risks are fed into relevant risk register and effectively managed	M
6	Build Risk Management training & awareness into future corporate learning and development planning	M
7	Improve accessibility of internal risk management guidance to officers through re-vamped Intranet presence – once new Intranet launched.	L
8	Support Assistant Directors and Programme Managers to develop their service risk registers – ensuring consistency.	M

#### 5. Finance Comments

- 5.1 None

#### 6. Legal Comments

- 6.1 The Council also has a statutory responsibility to have in place arrangements for managing risks, as stated in the Accounts & Audit Regulations 2003.

#### 7. Links to Corporate Aims

- 7.1 As this report covers the Council-wide approach to managing risk, all Corporate Priorities are affected.



## **8. Environmental and Community Safety Implications**

- 8.1 There are no direct implications although any significant risks identified in these areas would be considered within the Corporate Risk Register.

## **9. Equalities Impact**

- 9.1 Equalities impact has been considered in relation to this report. It has been concluded that since this is an update report only an Equalities Impact Assessment is not required.

## **10. Risk Management**

- 10.1 There is the general risk that if the Council fails to make use of the risk management process it is likely to lead to uncontrolled exposure to many high level strategic and operational risks.

## **11. Partnership Implications**

- 11.1 Partnership risk management is referred to in the Corporate Risk Register.

## **12. Recommendations**

The Committee is recommended to:

- 12.1 Receive the Report and note its contents;  
12.2 Make any recommendations or comments it sees fit.

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Risk No.	Date raised	Risk group heading	Risk / Issue description	Risk or Issue	TDBC, WSC, or BOTH	Category	Reference to Corporate Business Plan (or other plan)	Risk Owner	Existing Control Measures	Current Assessment		Score	Proximity	Movement ↓↑↔	Risk response option	Risk / Issue Response Action	Target score (post response)		Score
										Probability	Impact						Probability	Impact	
1	Dec-13	Transformation	<b>Joint-management &amp; shared services ('JMASS')</b> TDBC & WSC have entered into a new joint-management & shared services arrangement from 2014 - if the management resource & capacity to run the new structure effectively is insufficient: <b>RISK - failure to deliver the ambitions and financial savings as stated in the 'JMASS' business case.</b> Effects: Member's expectations not met / loss of political support, breakdown in relationships between Leaders & CEO, savings projections / timeline not delivered, existing projects & priorities negatively impacted	Risk	BOTH	Strategic	JMASS business case / TDBC aim 4 / WSC aim 1	Shirlene Adam	- Effective governance arrangements in place - Programme plan in place - Business plan financial updates shared at JPB and JPAG - Robust HR timetable in place and shared with all staff and UNISON. - Transformation Programme Manager in post as part of tier 4/5 restructure. - Dedicated Finance resource in place to monitor savings delivery and to reprofile service budgets to ensure savings are made and appropriately accounted for.	Slight(2)	Critical(5)	10	Feb-15	↔	Accept		Slight(2)	Critical(5)	10
2	Dec-13	Transformation	<b>The wider transformation programme</b> The Corporate Business Plan includes objectives to transform services and 'the way we work' - some projects have already been or are to be initiated (ie Customer Access & Council Accommodation). If a robust and effective approach to Programme and Change management is not implemented, or the existing contractual relationships in place for the supply of ICT services restricts the ability to deliver the new capability requirements - <b>Risk of failure to deliver an effective programme of change to achieve the desired outcomes and benefits for the council(s).</b> Key effects: programme benefits not realised, financial loss, loss of political appetite for change, services do not embrace & adopt new ways of working, decline in staff morale & performance, detrimental impact on the quality of service & project delivery, failure to maximise service efficiency	Risk	BOTH	Strategic	TDBC Aim 4	Richard Sealy	- Working with the ICT service to understand & minimise the costing for transformation ICT work & to identify possible alternative delivery options - Recruitment of full-time Corporate Transformation Programme Manager as part of Tier 4/5 restructure to coordinate transformation projects, has taken place. - Clarity provided by TDBC Members regarding preferred future accommodation option.	Slight(2)	Critical(5)	10	14/15	↓	Reduce	- Learning from other Councils who have already undertaken service transformation. - Work up detailed plan / business case regarding the County Hall accommodation option. - Understand some of the unknowns of service transformation programme - Member appetite for change, external funding, external agendas - develop understanding of the 'Big Picture' of where we are going as a Council.	Slight(2)	Critical(5)	10
3	Dec-13	Transformation	<b>Shared Services across Somerset and wider Public Sector</b> Government policy is pushing wider transformation of public sector. No clear ambition has emerged for Somerset. <b>RISK - wider transformation opportunities may be missed - or - if identified could slow down the pace of the TDBC / WSC transformation programme.</b> Effects: (as per Risk no. 1 above)	Risk	BOTH	Strategic	TDBC Aim 4	Penny James	- Somerset Public Sector CEO meetings - contact with DCLG re central govt expected outcomes - Somerset Task & Finish review - LGA Shared CEO Special Interest Group - Support from LGA to Somerset to facilitate wider discussions	Slight(2)	Critical(5)	10	NOW	↔	Share	Continued leadership engagement with wider public sector partners at political and officer level	Slight(2)	Critical(5)	10
4	Jan-14	Political	<b>National changes to Law/Policy drivers</b> Changes advocated or made maybe missed or not evaluated in a timely manner. <b>The risk is the Councils are non-compliant and/or changes undermine the delivery of key priorities.</b> Key effects: financial impact, failure to achieve the desired outcomes and benefits of the HRA Business Plan for the community and councils	Risk	BOTH	Strategic		Penny James	- JMT professional networks - Political Group networks - Director and AD responsibility to 'scan the policy horizon' and act as key policy advisors - TDBC Hub Reports - E-alerts from LGA/SOLACE/Government Departments	Feasible(3)	Critical(5)	15	NOW	↔	Reduce	JMT to review on quarterly basis the national picture	Slight(2)	Critical(5)	10
5	Jan-14	Financial	<b>Asset Management</b> A new TDBC Corporate Asset Management Strategy has been approved, however there is a need to refresh the strategy for West Somerset Council. There is a need to ensure adequate capacity, resource/funding, and expertise for effective asset management, as well as the appetite to take decisions to maximise opportunities. Poor data management may also lead to poor decisions. <b>RISK - failure to deliver Asset Management strategies and failure to manage existing assets appropriately.</b> Key effects: - financial (asset base that is unaffordable to maintain, inability to maximise income opportunities) - failure to comply with community requests relating to assets - increased risk & liabilities in relation to disrepair & compliance matters - Energy performance - Environmental sustainability - Adaptations and accessibility. - Lack of synergy in the integration of the asset management for the two councils. - Limiting the ability of the asset management function to be proactive and nimble in the provision of solutions.	Risk	BOTH	Strategic	TDBC Aim 4	James Barrah	- TDBC approved Asset Strategy & 2 year funding secured to deliver the new plan - Direct control of former SW1 Estates team to prioritise workload (following decision to bring the service back to TD from SW1) - Recruitment of new Property & Development Assistant Director post	Likely(4)	Critical(5)	20	NOW	↔	Reduce	- Asset strategy & plan to be refreshed for WSC - Implement the approach & key activities (phase 1 & 2) as outlined in the report to TDBC council Dec 2013 - creation of single asset mgt and property service via JMASS process	Slight(2)	Critical(5)	10
6	Dec-13	Financial	<b>Medium Term Financial Planning (MTFP)</b> The key financial risk factors are: continuing budgetary pressures & adverse economic conditions, an environment of major financial risk & uncertainty (such as: Business Rates retention, Revenue Support Grant, Council Tax & Council Tax Support, Income from Fees & Charges, Capital investment), uncertainty as to the long-term sustainability / affordability of the existing contract with Somerset Waste Partnership, the shrinking of the General Fund (impact on the HRA). <b>Risk of failure to agree and deliver a sustainable MTFP for the next 5 years</b> Key effects may include: - short-term or 'knee jerk' decisions with detrimental long-term implications - Government intervention - Adverse impact on the council's limited reserves & financial standing - Potential service closure / reduced service quality & therefore inability to deliver customer expectations - Insufficient capital resources to fund Corporate Strategy objectives - Inability to continue funding partnerships (eg Tone Leisure, SWP) - Unable to maximise investment returns	Risk	BOTH	Strategic	TDBC Aim 4	Shirlene Adam	- on-going raising of profile and awareness of financial challenges with Members - regular reviews, updates (latest forecasts) & reporting of MTFP position - budget-setting / approval process - JMASS programme	Likely(4)	Critical(5)	20	end 2015	↔	Reduce	- fundamental review of WSC finances (including revenues, capital, treasury management) - new Treasury Management contract in place for WSC - Executive/Cabinet discussions on budget position linkage of Asset Management plans, Health & Safety plans with Financial plans (TDBC & WSC)	Feasible(3)	Critical(5)	15
7	Dec-13	Partnerships	<b>Southwest One</b> The Southwest One contract is due to end in 2017 - there is uncertainty regarding future plans for the partnership beyond 2017. If there is no clear plan and timetable to reach a decision on the future of the SW1 partnership - <b>Risk of failure to properly implement a succession plan for Southwest One services</b> Key effects: deterioration of services (pre 2017), financial impact, reputational damage	Risk	TDBC	Strategic		Richard Sealy	- Succession planning process has commenced in conjunction with the other partners - Dedicated specialist officer in post to focus on the succession planning for TDBC	Slight(2)	Critical(5)	10	14/15	↔	Reduce	- Completion of a /Succession Options review & the implementation of any agreed actions.	Slight(2)	Significant(3)	6
8	Dec-13	Leadership & People	<b>Political leadership and decision-making</b> TDBC remains in a 'no overall control' position, therefore the political balance of the council can present difficulties with decision-making. If there is a lack of clear political leadership, then - <b>There is a risk of failure to reach decisions on key strategic issues.</b> Key effects may include: - difficulties with long-term strategic & operational planning; - lack of cross-party buy-in to the corporate strategy	Risk	TDBC	Strategic		Penny James	- Corporate Business Plan approved in 2013 - Leader / Director meetings - Shadow Executive engagement - Joint Portfolio / Shadow PFH briefings - Cross-party steering groups on key issues - Group Leaders meetings	Feasible(3)	Critical(5)	15	NOW	↑	Reduce	- Increase frequency of Group Leaders meetings - Improve engagement between JMT and Shadow Executive and Leader of Opposition	Feasible(3)	Major(4)	12

Risk No.	Date raised	Risk group heading	Risk / Issue description	Risk or Issue	TDBC, WSC, or BOTH	Category	Reference to Corporate Business Plan (or other plan)	Risk Owner	Existing Control Measures	Current Assessment		Score	Proximity	Movement ⇄	Risk response option	Risk / Issue Response Action	Target score (post response)		Score
										Probability	Impact						Probability	Impact	
9	Dec-13	Corporate Aim (TDBC)	<p><b>Growth &amp; Development - Taunton town centre regeneration</b></p> <p>In January 2014, the Executive approved a re-think of the Taunton town centre including a range of proposals for sites throughout the town. This also included a mandate to establish a new programme management arrangement to progress the delivery. There is a high dependence of other partners / agencies to support and deliver the programme.</p> <p><b>Risk of failure to achieve the council's ambitions for the regeneration of Taunton town centre.</b></p> <p>Key effects may include:</p> <ul style="list-style-type: none"> <li>- the 'Firepool' site may fail to attract private sector investment &amp; stagnates</li> <li>- detrimental impact on the local economy</li> <li>- damaged reputation for Taunton, and TDBC</li> <li>- negative effect on inward investment decisions</li> </ul>	Risk	TDBC	Strategic		<b>Brendan Cleere</b>	<ul style="list-style-type: none"> <li>- mandate approved to establish a Programme Management approach in 2014</li> <li>- Taunton Economic Advisory Board</li> <li>- Programme SRO in place (Brendan Cleere)</li> <li>- Programme framework and action plan now in place as the basis for SRO, members and key partners reviewing progress and next steps</li> <li>- Early funding opportunities for growth projects identified</li> <li>- Additional staff support for delivery in place by July 2014, subject to full implementation of tier 4/5 structural proposals</li> </ul>	Feasible(3)	Major(4)	12	5 - 10 years	⇄			Feasible(3)	Major(4)	12
10	Dec-13	Corporate Aim (TDBC)	<p><b>Growth &amp; Development - Infrastructure delivery</b></p> <p>A new Growth Prospectus for Taunton was approved in January 2014. There are however significant factors to address such as: inadequate management resource, a lack of funding, prioritisation of funding for any one particular project ('all the eggs in one basket'), and any failure to engage with funding providers. These are causes of the following risk:</p> <p><b>Risk of failure to deliver the key components of the Infrastructure Delivery Plan (IDP) and the approved Growth Prospectus for Taunton.</b></p> <p>Key effects may include:</p> <ul style="list-style-type: none"> <li>- lack of new / improved infrastructure needed to support &amp; deliver the vision outlined in the Growth Prospectus for Taunton</li> <li>- M5 &amp; A358 do not improve (traffic problems worsen);</li> <li>- Unable to attract inward business investment to Taunton Deane</li> <li>- Detrimental impact on the local economy</li> </ul>	Risk	TDBC	Strategic		<b>Tim Burton</b>	<ul style="list-style-type: none"> <li>- implementation of Community Infrastructure Levy (CIL) from April 2014</li> <li>- New Home Bonus funds ringfenced for growth initiatives</li> <li>- Growth prospectus has prioritised the schemes</li> </ul>	Feasible(3)	Major(4)	12	from 2016	⇄	Reduce	<ul style="list-style-type: none"> <li>- ensure adequate resources focussing on delivering Growth Prospectus</li> <li>- ensure Taunton schemes are high profile with key funding providers (eg LEP)</li> <li>- prioritisation of CIL receipts</li> </ul>	Slight(2)	Major(4)	8
11	Dec-13	Corporate Aim (TDBC)	<p><b>Growth &amp; Development - Housing delivery</b></p> <p>Factors such as: the uncertain economic climate (national &amp; local) and a lack of market appetite for growth, the extent of our ability to influence other agencies to address key issues, the Planning process, and identification of deliverable sites - are all causes of the following risk:</p> <p><b>Risk of failure to deliver proposals in the Development Plan relating to housing.</b></p> <p>Effects: in addition to those described above in risk no. 10, the council would be open to unplanned development</p>	Risk	BOTH	Strategic		<b>Tim Burton</b>	<ul style="list-style-type: none"> <li>- TDBC Approved Core Strategy &amp; Site Allocations work</li> <li>- Monkton Heathfield - Capacity Funding award</li> <li>- emerging WSC Local Plan</li> </ul>	Feasible(3)	Major(4)	12	from 2015	⇄	Reduce	<ul style="list-style-type: none"> <li>- meet the timetable for preparation of Planning Policy documents</li> <li>- working with developers to bring forward Monkton Heathfield, other Urban Extensions, and other development sites across the 2 districts</li> <li>- dependency / links with Infrastructure risk &amp; actions (risk 10)</li> </ul>	Slight(2)	Major(4)	8
12	Dec-13	Corporate Aim (TDBC)	<p><b>Growth &amp; Development - Employment land delivery</b></p> <p>Factors such as: the uncertain economic climate (national &amp; local) and a lack of market appetite for growth, the extent of our ability to influence other agencies to address key issues, the Planning process, and identification of deliverable sites - are all causes of the following risk:</p> <p><b>Risk of failure to deliver proposals in the Development Plan relating to employment land.</b></p> <p>Effects: in addition to those described above in risk no. 10, the council would be open to unplanned development</p>	Risk	BOTH	Strategic		<b>Tim Burton</b>	<ul style="list-style-type: none"> <li>- TDBC Approved Core Strategy &amp; Site Allocations work</li> <li>- Monkton Heathfield - Capacity Funding award</li> <li>- emerging WSC Local Plan</li> </ul>	Feasible(3)	Major(4)	12	from 2015	⇄	Reduce	<ul style="list-style-type: none"> <li>- meet the timetable for preparation of Planning Policy documents</li> <li>- working with developers to bring forward Monkton Heathfield, other Urban Extensions, and other development sites across the 2 districts</li> <li>- dependency / links with Infrastructure risk &amp; actions (risk 10)</li> </ul>	Slight(2)	Major(4)	8
13	Dec-13	Corporate Aim (WSC)	<p><b>Hinkley Point</b></p> <p>The development of a the new Hinkley C power station (a 10 year construction period) may cause a variety of threats and opportunities to the achievement of our strategic objectives.</p> <p><b>There is a risk that the development will have an adverse impact on local accommodation, skills &amp; employment and highways, and/or Economic &amp; Social opportunities may not be realised (eg benefits to local businesses &amp; the local economy of permanent inward migration, receipt of significant Community Fund grant monies).</b></p> <p>Key effects may include:</p> <ul style="list-style-type: none"> <li>- homelessness increases and the council is unable to discharge its homelessness obligations;</li> <li>- increase in housing demand &amp; lack of affordable housing;</li> <li>- increased congestion (impacting on Growth &amp; Regeneration goals / inward investment)</li> <li>- Local businesses are not able to win contracts to participate in the project</li> <li>- Local people aren't trained and are unable to gain employment on the project</li> </ul>	Risk	BOTH	Strategic		<b>Brendan Cleere / Andrew Goodchild (new Nuclear Programme Manager)</b>	<ul style="list-style-type: none"> <li>- Section 106 agreements with staff resources and contributions in place to mitigate effects</li> <li>- Very good working relationship with EDF Energy</li> <li>- Good understanding of local issues</li> <li>- Good working relationship with local businesses and West Somerset College</li> <li>- Programme Manager is in post and objectives and key tasks set out in WSC corporate and Services plans for 2014/15</li> <li>- Robust programme management in place</li> <li>- Remobilisation Action Plan in place, currently no Red status item with April 2014's Actions complete</li> </ul>	Feasible(3)	Major(4)	12	from 2014	⇄	Reduce	<ul style="list-style-type: none"> <li>- Developing relationship with LEP to attract additional funding via Hinkley Deal for 14/15 including potential for match funding</li> </ul>	Slight(2)	Major(4)	8
14	Dec-13	Communities	<p><b>Welfare Reforms</b></p> <p>There is an on-going requirement to reduce benefit payments (CTRS, Business Rates, Universal Credit) - the Welfare Reforms will mean that people in the welfare system will receive less Council Tax support. It will also mean that Universal Credit will be paid directly to tenants rather than the HRA housing landlord.</p> <p><b>a) Risk of the Council failing to adequately support our community and services for the impact of the Government's Welfare Reform Agenda.</b></p> <p><b>b) Risk of the Housing Service having substantially reduced collection rates on introduction of Universal Credit</b></p> <p>Key effects include:</p> <ul style="list-style-type: none"> <li>- taxes and rents harder to collect</li> <li>- reduced rent collection could affect ambitions of HRA business plan</li> <li>- more vulnerable people - individuals &amp; families may be unable to manage</li> <li>- increased pressure and demand on services</li> </ul>	Risk	BOTH	Strategic		<b>Paul Fitzgerald / Simon Lewis</b>	<ul style="list-style-type: none"> <li>- Structure for Housing &amp; Community Development includes greater resource on money management and benefit advise.</li> <li>- Project team in place to identify best means of mitigating impact of UC on rent income</li> <li>- Preparatory discussions taken place between the two lead Assistant Directors</li> </ul>	Feasible(3)	Critical(5)	15	Universal Credit Jan 2015?	⇄	Reduce	<ul style="list-style-type: none"> <li>- Re-launch project</li> <li>- develop a risk response action plan</li> </ul>	Feasible(3)	Major(4)	12

Risk No.	Date raised	Risk group heading	Risk / Issue description	Risk or Issue	TDBC, WSC, or BOTH	Category	Reference to Corporate Business Plan (or other plan)	Risk Owner	Existing Control Measures	Current Assessment		Score	Proximity	Movement ↓↑↔	Risk response option	Risk / Issue Response Action	Target score (post response)		Score
										Probability	Impact						Probability	Impact	
15	Dec-13	Communities	<p><b>Addressing deprivation</b> Deprivation is worsening and deepening in North Taunton and Taunton East, with other key community issues being rural isolation and an ageing population, and in West Somerset, the key issues are rural deprivation, fuel poverty &amp; 'access to services'. Initiatives such as Taunton Deane Partnership's 'Priority Areas Strategy' (PAS) programme and the Health &amp; Wellbeing Strategy are being developed &amp; delivered to address the issue, however, if the work is not supported, or not adequately resourced: <b>There is a risk that the programmes &amp; activities may be unsuccessful and we fail to reduce levels of deprivation in our most deprived communities.</b> Key effects may include: - areas of deprivation remain or worsen; - other areas slip into deprivation; - community expectations are not managed or delivered - further burden on TDBC resources (eg increase in 'Troubled Families' interventions, Housing demand etc) - lost opportunities for additional funding, reduced service costs, reduced work duplication, improved experience for the customer - negative impacts on individuals, families &amp; communities, plus the financial cost to public sector agencies increases</p>	Risk	BOTH	Strategic		Simon Lewis	<ul style="list-style-type: none"> <li>- Housing &amp; Community Development structure proposal to place greater emphasis on priority areas</li> <li>- PAS actively monitored and reviewed by TDP</li> <li>- Family Focus project supporting complex troubled families</li> <li>- TDBC engaging in 'early help' discussions and work with SCC to bring additional resources and focus into areas</li> <li>- Halcon One Team being supported in halcon and delivering tangible improvements and projects (eg Link Power)</li> <li>- Community Development projects</li> <li>- Voluntary &amp; Community Sector grants allocated to provide support (eg CAB debt advice)</li> <li>- Somerset West Private Sector Housing Partnership continues to work on fuel poverty issues</li> <li>- communities in West Somerset supported to access grants and support</li> </ul>	Feasible(3)	Major(4)	12	NOW	↔	Reduce	<ul style="list-style-type: none"> <li>- A greater focus on collaborative partnership working in other parts of TD</li> <li>- Implement Programme of activities resulting from the H &amp; W audit to address deprivation</li> </ul>	Slight(2)	Major(4)	8
16	Dec-13	Communities	<p><b>Gypsies &amp; Travellers</b> Local Authorities have a (planning) duty to allocate suitable provision for Gypsies &amp; Travellers. TDBC has had previous experience of illegal Gypsy &amp; Traveller encampments. <b>There is a risk that TDBC is unable to identify suitable provision if required and cannot defend against future illegal encampments.</b> Key effects may include: - unable to respond to community or political pressure; - financial impact (eg high legal fees); - reputational damage</p>	Risk	BOTH	Strategic		Tim Burton + Kene Ibezi	<ul style="list-style-type: none"> <li>- purchase of Otterford Green site (for temporary provision)</li> <li>- Gypsy &amp; Traveller Accommodation Assessment</li> <li>- contacted potential site owners</li> </ul>	Slight(2)	Significant(3)	6	on-going	↔	Reduce	<ul style="list-style-type: none"> <li>- allocate sites</li> <li>- council needs to potentially purchase sites or work with other providers to develop sites</li> </ul>	Very Unlikely(1)	Significant(3)	3
17	Dec-13	Corporate Governance	<p><b>Corporate Governance arrangements on running the business</b> There is a need for robust arrangements, and on-going monitoring and focus on embedding effective corporate governance arrangements (ie budget monitoring, risk management, debt management, performance management, Treasury management, compliance with audit recommendations, asset management, Equalities duties, Business Continuity Planning, Information Governance &amp; Security, Health &amp; Safety management). <b>Risk of failure to comply with key internal controls &amp; corporate governance arrangements.</b> Key effects include: - inaccurate budget forecasting &amp; financial loss - failure to adhere to HRA ringfence - project or service failure or under-performance - reputational damage - Government intervention - Failure to comply with statutory duties &amp; regulations (eg Health &amp; Safety, Equalities, Data Security / Data Protection) causing harm or injury - lack of resilience to unexpected events / failure of IT systems / data loss</p>	Risk	BOTH	Strategic		Shirlene Adam	<ul style="list-style-type: none"> <li>- Audit programme</li> <li>- Corporate Governance Action Plan / monitoring of progress &amp; status of audit recommendations</li> <li>- Quarterly JMT review on Corporate Performance &amp; Finances, Risk Management and other key management issues</li> <li>- Corporate Equalities Action Plan</li> <li>- New H &amp; S strategy, KPIs &amp; operational plan for 2014</li> <li>- Member reports on all of the above to relevant committees</li> <li>- redefined roles and responsibilities re Joint Management structure from Jan 2014</li> </ul>	Feasible(3)	Significant(3)	9	on-going	↔	Reduce	<ul style="list-style-type: none"> <li>- harmonisation of governance frameworks and arrangements across both councils for officers to operate within</li> <li>- communicate and embed in ways of working (eg through learning &amp; development plans)</li> <li>- JMT to conduct regular reviews (eg Financial Regs, Health &amp; Safety performance etc)</li> <li>- on-going 'policing'</li> <li>- CEO providing clarity on 'non negotiables' and risk appetite &amp; tolerance levels</li> </ul>	Slight(2)	Significant(3)	6
18	Dec-13	Communities	<p><b>Civil Contingency arrangements</b> There is a need for adequate planning and effective Civil Contingency arrangements to be in place and tested. The new joint management &amp; shared services arrangements between TDBC &amp; WSC have also extended the geography &amp; facilities and widened the scope of our responsibilities. <b>There is a risk that the council may be unprepared for and unable to provide an adequate response to a major emergency incident.</b> Key effects may include: - loss of life; - major disruption to services; - unplanned costs; - Reputational damage;</p>	Risk	BOTH	Strategic		Chris Hall	<ul style="list-style-type: none"> <li>- County-wide Civil Contingencies Plan</li> <li>- JMT rota and out-of-hours arrangements in place (also in JMT job descriptions)</li> <li>- 24 hours DLO operation</li> <li>- both councils have service level out-of-hours arrangements</li> <li>- experience in Civil Contingencies incidents and operation of Rest Centres</li> </ul>	Very Unlikely(1)	Critical(5)	5	on-going	↔	Accept	<ul style="list-style-type: none"> <li>- amalgamation of service level arrangements as part of JMASS project during 2014/15</li> </ul>	Very Unlikely(1)	Critical(5)	5

		IMPACT		
		1. Insignificant	2. Minor	3. Significant
PROBABILITY	5 Very Likely			
	4 Likely			
	3 Feasible			17
	2 Slight			16
	1 Unlikely			

4. Major	5. Critical
	5
9, 10, 11, 12,13,15	4,6,8, 14
	1,2,3, 7
	18

# Taunton Deane Borough Council

## Corporate Governance Committee 22 September 2014

### Corporate Counter Fraud Approach Update

#### Report of the Assistant Director Resources

(This matter is the responsibility of the Executive Councillor Vivienne Stock-Williams)

#### **Executive Summary**

This report advises Members on our progress in developing our approach to Corporate Fraud. It gives information of joint working with other Local Authorities and the South West Audit Partnership (SWAP).

The report also informs Members of potential funding opportunities provided through the Department for Communities and Local Government (DCLG) through a bidding process announced in July 2014.

The Corporate Governance Committee is invited to note the information contained within this report and support action undertaken in further developing our approach to combat Corporate Fraud.

#### **1. Background**

- 1.1. On 9 December 2013 the Corporate Governance Committee approved the formation of a Corporate Anti-Fraud function to lead and advise on any investigations into fraudulent activity within Taunton Deane Borough Council.
- 1.2. The Government announced in the Autumn Statement in December 2013 that DCLG and DWP would invest in local government's capacity to tackle non-welfare fraud. The government stated it would introduce a package of support to deliver savings from cutting fraud that would include extra funding over 2014-2015 and 2015-2016.
- 1.3. On 10 March 2014 the Corporate Governance Committee approved a Corporate Anti-Fraud Policy setting out the high level priorities we need to meet to achieve the Council's vision of zero tolerance for fraud, corruption and bribery throughout the authority.
- 1.4. On 22 June 2014 the Assistant Director of Resources provided a verbal update on our approach to Corporate Fraud setting out the intention for a Corporate Anti-Fraud Team to be considered alongside the emerging joint structure for Taunton Deane Borough Council and West Somerset Council, and in respect of potential alternative delivery models.
- 1.5. On 2 July 2014, the DCLG invited Local Authorities to submit proposals for funding from a national pot of £16million, to deliver financial savings through counter fraud activities. The DCLG specified that proposals, submitted in a bidding process, should seek to achieve efficiencies and transformation through partnership working between Local Authorities and/or with other public and private sector partners. See [Appendix 1](#).



## 2. Progress to date

- 2.1. Progress in developing our counter-fraud function has been affected by a number of factors such as Government announcements, the JMASS project and developments in the creation of the DWP's Single Fraud Investigation Service (SFIS).
- 2.2. We intend that the new Corporate Anti-Fraud function would be responsible for detecting and preventing fraudulent activity in the following areas:
  - Local Taxation including Council Tax Discounts and Support, and
  - Non-Domestic Rates Relief and Discounts,
  - Right to Buy fraud,
  - All Housing Tenancy-related fraud,
  - Grant applications.
  - Procurement
  - Income
- 2.3. South West Audit Partnership Ltd (SWAP) currently provides internal audit services to a number of authorities in the Southwest. SWAP has been approached by a number of District Councils to ascertain if it could develop a joint cross-partner initiative on counter-fraud. SWAP have developed an outline concept for delivering a joint counter-fraud function.
- 2.4. Initial options could include:
  - A counter fraud shared service led by one of the authorities
  - SWAP manage and operate a full counter fraud function for partner authorities
  - A hybrid of the two - with SWAP delivering certain activities.
- 2.5. Advantages to a joint approach include
  - Economies of scale and reduced costs
  - Better targeting of resources
  - Better use of technology and cross-partner data analysis
  - Sharing of knowledge and good practice
- 2.6. In addition, initial advantages for delivering through SWAP could include
  - Access to wider range of relevant and eligible data sets
  - Access to existing analytical software and expertise
  - Access to investigation expertise.
  - Quicker corrective / recovery action at lower cost.
- 2.7. Any partnership could deliver the following:
  - Development of shared counter fraud strategy
  - Identification and understanding of fraud risks and potential exposure to losses.
  - Assessment and mitigation of resilience to fraud
  - Investigation and enforcement
  - Proactive anti-fraud work, such as data-matching and sample verification procedures.
  - Financial savings
  - Fraud Awareness training for elected members, Council employees and partners

- 2.8. Taunton Deane Borough Council, West Somerset Council and South Somerset Council have worked together in progressing a bid for potential funding available through the DCLG Counter Fraud Fund prospectus. Taunton Deane Borough Council are acting as the lead authority for the bid submission made on 5 September 2014, see [Appendix 2](#).
- 2.9. Further work is needed to develop the business case, and select the preferred delivery model either through SWAP, a Local Authority Partnership or a combination of a SWAP/Local Authority Partnership arrangement. In addition, discussions are ongoing with other local authorities to confirm their commitment, or otherwise, in joining a partnership from the outset.
- 2.10. The ambition is to deliver a Corporate Anti-Fraud function that is effectively self-financing due to the additional income gathered as a result of the function's anti-fraud activities and measures.

### **3. Single Fraud Investigation Service (SFIS)**

- 3.1. In December 2013 the Chancellor of the Exchequer in the Autumn Statement, announced the formation of a single service (SFIS) covering the totality of welfare benefit fraud. The DWP have made it clear investigation of Housing Benefit and residual Council Tax Benefit fraud will transfer to SFIS. Employees assigned solely or primarily to this activity (i.e. more than 50% of their time) will be identified for a potential transfer to DWP.
- 3.2. SFIS will not be responsible for investigating non-benefit and local taxation fraud such as Council Tax Single Persons Discount or Tenancy Fraud. Local Council Tax Support will not be included in SFIS and the responsibility for protecting this fund will remain with the respective Council.
- 3.3. On 2 May 2014 we received an e-mail from the DWP confirming the implementation date for SFIS in our area will be 1 June 2015. We have been assigned a named DWP SFIS Implementation Manager to support us through the process. Formal implementation and engagement with the DWP on the transfer of any employees to SFIS will start from December 2014 with any staff transferring to SFIS in June 2015.

### **4. Next steps**

- 4.1. We now need time and capacity to progress the completion of the business case and select a preferred delivery model by March 2015. Governance arrangements for the partnership and any delivery through SWAP will also need to be developed.
- 4.2. While our bid to the DCLG sought funding of £30k in 2014/15 and £80k in 2015/16 to progress our plans to tackle fraud we have suggested that match funding of £40k could be made available between the partner authorities in 2015/16. Members are requested to support a proposal to obtain approval from the Executive / Council for match funding in 2015/16 from Taunton Deane Borough Council. Subject to confirmation of cost sharing between partner authorities the likely request will be in the range of £15k to £20k.

- 4.3. The DCLG should notify us of the outcome of our bid by 31 October 2014. Should the outcome be unsuccessful, we will need to develop arrangements whereby alternative funding is identified by re-focussing existing resources and budgets, or through additional budget approval. Whilst major preceptors (e.g. Somerset County Council) are likely to obtain some benefit from savings generated through this initiative (e.g. improved council tax collection), at this point there is no anticipated external contribution to costs other than the Government Grant if the bid is successful.

## **5. Finance Comments**

- 5.1. The government provides Administrative Subsidy to the Council for the Benefits service, some of which is intended to be used to offset the cost of anti-fraud measures. However, the current level of funding is likely to reduce as a consequence of employees transferring to SFIS in June 2015.
- 5.2. The cost of Council Tax collection and fraud investigation is borne by District Councils. The County Council receives a larger share of the Council Tax and would therefore receive the greatest part of the additional income that arises from identifying single person discount fraud. However, the County does not contribute financially to the cost of identifying any fraud.
- 5.3. Any income raised from Single Person Discount Fraud penalties would be kept by Taunton Deane Borough Council. The cost of prosecutions under the Fraud Act is borne by Taunton Deane Borough Council and as such, prosecutions should only be taken where it is financially viable to do so.
- 5.4. Taunton Deane Borough Council faces significant and increasing financial challenges for the foreseeable future. It is advisable any development of the Corporate Anti-Fraud function is affordable and does not add to budget pressures. From a financial perspective, acquiring additional funding from the DCLG will assist in this aim.

## **6. Legal Comments**

- 6.1. The legislation concerning matters on Anti-Fraud are mainly contained in:
- The Fraud Act 2006
  - Theft Act 1968
  - Bribery Act 2010
  - Local Government Finance Act 1992
  - Regulation of Investigatory Powers Act 2000
  - Social Security Administration Act 1992
  - Police and Criminal Evidence (PACE) Act 1984 and the Criminal Procedure and Investigations Act 1996
  - Prevention of Social Housing Fraud Act 2013
  - The Detection of Fraud and Enforcement (England) Regulations 2013.

## **7. Links to Corporate Aims**

- 7.1. Achieve financial sustainability by protecting the Council's overall financial exposure and risk.
- 7.2. Transform the way we work by creating effective risk management processes that are developed and applied throughout the organisation to ensure good governance and internal control.

## **8. Environmental and Community Safety Implications**

- 8.1. Environmental and community safety implications have been considered, and there are not expected to be any specific implications relating to this report.

## **9. Equalities**

- 9.1. An Equality Impact Assessment (EIA) was prepared and attached to the report presented to the Corporate Governance Committee on 10 March 2014.

## **10. Risk Management**

- 10.1. The risk to TDBC in not introducing and implementing an effective Corporate Anti-Fraud function would be both reputational and financial.

## **11. Partnership Implications**

- 11.1. Partnership implications have been considered, and are discussed in the main body of this report.

## **12. Recommendation**

- 12.1. The Corporate Governance Committee is note the information provided in this report and support a proposal to obtain approval from the Executive and Council as necessary for match funding from Taunton Deane Borough Council of up to £20,000 to develop a cost-effective Corporate Anti-Fraud function.

Paul Fitzgerald  
Assistant Director of Resources  
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Department for  
Communities and  
Local Government

# Counter fraud fund

Prospectus

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# Introduction

It is estimated that there is over £2 billion of fraud against local government every year. This is money that could be spent on providing services to local communities. All local authorities should have a counter fraud strategy to reduce losses from fraud and should assess the effectiveness of those arrangements. This should include allocating sufficient and targeted resources to tackle fraud.

It is recognised that local authorities have complex and conflicting demands on limited resources. In addition, we acknowledge that the transfer of benefit fraud investigators from local authorities to the Single Fraud Investigation Service from 2014 may also create challenges to some authorities' investigative capacity as they adjust to the changes. However, the move to the Single Fraud Investigation Service also presents an opportunity to local authorities to focus on tackling non-benefit fraud.

Local authorities are invited to submit proposals for funding that will result in real financial savings through effective counter fraud activities. All proposals must demonstrate that the savings that will be achieved will be at least equivalent to, or exceed, the funding requested. We are keen to receive proposals that seek to achieve efficiencies and service transformation through partnership working between local authorities and/or with other public and private sector organisations. Proposals should also demonstrate an innovative and holistic approach to tackling fraud that includes detection, prevention and deterrence.

The total scheme is worth up to £16 million over the financial years 2014/15 and 2015/16 and will start paying money to successful local authorities during the third quarter of 2014/15. Government is particularly keen to fund innovative joint proposals and therefore principal local authorities may submit an individual bid and also as a named authority in a partnership bid. Authorities submitting bids under both routes must ensure that the proposals stand alone as they will be assessed independently. **All bids must be submitted by 5pm on 5 September 2014.**

Bids will be evaluated on the basis of the extent to which they meet the criteria set out in this prospectus. An assessment team will consider each bid against the criteria and will present its analysis to an assessment panel, which will comprise people with significant counter fraud expertise. Following input from the panel, ministers will take a final decision on the allocation of the fund.

# Section One: Fund objectives and requirements

The purpose of the counter fraud fund is to support local authorities during the implementation of the Single Fraud Investigation Service and increase the capacity and capability of local government to tackle losses from non-benefit fraud. We are hoping to do this in a way that is sustainable beyond the funding period. Given this, we anticipate that the fund will result in more than just providing individual local authorities with investigative capacity over the two year funding period. Instead we hope to receive bids that demonstrate an innovative and holistic approach to tackling fraud, encompassing detection, prevention and deterrence activities.

For all local authorities or partnerships, whether a leading pioneer in counter fraud work or still building counter fraud capacity, we are looking to fund proposals that show that the money will be used on genuine additional activities to achieve financial savings through counter fraud activities.

## Funding

The Department for Communities and Local Government is making available up to £16 million to English principal local authorities over two years: 2014/15 and 2015/16. Local authorities that successfully bid for funding will be offered a grant to deliver their proposal. Grants will be paid under section 31 of the Local Government Act and are, therefore not subject to ringfencing. We intend to make two payments to successful applicants, one in quarter 3 of 2014/15 and a further tranche in quarter 1 of 2015/16, the latter being subject to satisfactory progress in the early stages of the project.

## Eligibility

Any principal local authority in England can lead a bid and each bid can be for funding for an individual principal local authority, a group of authorities, or a consortium that includes businesses/third parties. However, all partnership bids must have a lead bidding local authority and this must, for grant allocation purposes, be an English principal local authority. Bidders should note that a grant can only be paid for expenditure incurred, or to be incurred, by a local authority (see Section 31 Local Government Act 2003).

We are not limiting the amount that an authority or partnership can bid for but all proposals must demonstrate that the financial savings achieved will be equivalent to, or exceed, the funding requested and any matched funding identified by the bidder. Proposals must demonstrate how the funding will be used to achieve additional outcomes and/or service improvements.

Awards will be made only where government is satisfied that the proposal meets the criteria. If more bids meet the criteria than there is funding available, bids will be prioritised based on a scored assessment of each bid.



# Section Two: Bidding information for the fund

This section presents the five criteria against which all bids will be assessed. All bids must satisfy the requirement to make the financial savings as described in criterion 1. Bids that do not meet this criterion will not be considered further. All proposals that satisfy criterion 1 will then be assessed against the remaining criteria. The scale of the estimated savings outlined by each proposal will be considered alongside the extent to which they meet the remaining four criteria.

## 1: Financial savings and benefits of the proposal

Bids will be assessed on the ambition of the proposal to achieve real savings and benefits through counter fraud activities. This effort can be focussed on a single type of fraud or spread across a number of areas.

We acknowledge that there are inherent difficulties in quantifying the scale and value of fraud losses that could be prevented or detected through counter fraud activities. In addition, we understand that there is no universally accepted measure of fraud. Notwithstanding this, all proposals must provide reasonable estimates of how the funds will result in financial savings that are at least equivalent to the funding requested. The bid proposal should demonstrate when it is estimated that these savings will be realised and should differentiate from those savings already being achieved through current counter fraud activities.

Where proposals seek to achieve wider benefits, for example by reducing the social costs that result from types of fraudulent activity, these should be documented and quantified as far as possible.

The assessment team will examine the value for money represented by the bid in terms of the costs and projected savings. Any matched funding should also be highlighted and where matched funding is provided by a local authority, the financial savings must be at least equivalent to the amount requested through this fund and the matched funding.

## 2: Partnership working

As with other public services, improvements and efficiencies can be made from greater joint working and, as such, we will prioritise those bids that demonstrate joint working between local authorities and/or with other public and private sector organisations. We are aware that, in 2012/13, 79 district councils did not report any detected non-benefit fraud<sup>1</sup> and we believe that real progress could be made by councils joining together to deliver effective local strategies and reduce losses from fraud. Proposals must state clearly the members of the partnership or, alternatively, outline the reasons if an authority is unable to form a partnership, or there is a case as to why partnership working would not be appropriate.

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<sup>1</sup> *Protecting the Public Purse 2013*, Audit Commission

### 3: Sustainability

The assessment team will examine the sustainability of each of the bids to provide local authorities with increased capacity and capability to tackle fraud beyond the funding period. We define sustainability as the ability for project to have a continued impact beyond the funding period.

### 4: Feasibility

Linked to criteria 1-3, the assessment will look at the feasibility of each bid's proposals and scrutinise the estimated benefits or reduction in losses from fraud. We will assess feasibility as the ability for the project to deliver the stated outputs and impact in the stated time. Each bid will also require sign-off from the local Section 151 officer and any other partners.

### 5: Innovation

All bids should provide an assessment on the level of innovation in the proposal and how this approach could be transferred to other local authorities or partnerships. We consider innovation as the demonstration of new approaches to achieving a positive change to tackle fraud detection, prevention and deterrence.

# Section Three: Process and timetable for assessing bids

Bidders are required to complete the bid form – attached as an annex. The information required in that form is needed to check that bids will fulfil the objectives of the fund and to help prioritise bids. **Bids should be received no later than 5pm 5 September 2014.** The following table summarises the timetable:

Date	Event
2 July	Start of bidding process
5 September	Deadline for receipt of bids
September/October	Assessment of bids
By end of October	Successful bidders notified

Completed bid forms, approved by the Section 151 officer<sup>2</sup>, should be returned in electronic format to the Counter Fraud Fund via:

[foia@communities.gsi.gov.uk](mailto:foia@communities.gsi.gov.uk)

Please start the subject line of your email with bid authority (or lead authority) name. This email inbox can also be used for any questions you may have about the counter fraud fund.

## Appraisal of Bids

An assessment team will review final bids according to the criteria set out in section two of this guidance. The assessment team will present initial results to an expert panel. Ministers will make final decisions about funding

## Payment of Support

Payment will be approved via the issue of a grant determination under Section 31 of the Local Government Act 2003. The first payment is expected to be made in the third quarter of 2014/15. Should DCLG require changes to the proposed financial profile submitted by the project, these will be agreed ahead of payment.

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<sup>2</sup> As part of the bid, the Section 151 officer should include a confirmatory due-diligence assurance verifying that the information and assumptions presented in the bid are a true and fair reflection of the project.

# Confidentiality

Throughout the bidding process details of individual bids, including feedback, will be treated as commercially sensitive and confidential. However, information may be published, or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000, the Data Protection Act 1988 and the Environmental Information Regulations 2004) as there is a statutory Code of Practice with which public authorities must comply, and which deals with, amongst other things, obligations of confidence.

Officials within government as well as the members of the panel and assessment team will have access to bids (and any supporting materials). Ministers will also have access to all information provided. If we receive a request for disclosure of the information we will process personal data in accordance with the Data Protection Act and in the majority of circumstances this will mean that personal data will not be disclosed to third parties.

While we will not disclose the nature, scale and scope of individual bids during the bidding process, we may use the information provided to produce an aggregate overview of the demand for the scheme and scale of projects that are likely to be funded. All feedback, written or oral, on final bids should be treated as confidential.

The department may publish top line information about successful bids where this is deemed to be in the public interest (for example, the name of the successful lead bidding authority, the amount that will be awarded and nature and scale of the successful proposal(s)). Once confirmation letters have been issued the department may disclose more detailed information about the bid. However, the actual bids (and supporting materials) and assessment scores will not be disclosed.

# Counter fraud fund

## Application form

### Supporting local authorities to boost their capability and capacity in tackling non-benefit fraud.

This form should be submitted to [foia@communities.gsi.gov.uk](mailto:foia@communities.gsi.gov.uk) no later than **5pm on 5 September 2014**. Any queries about the fund should also be submitted to this address.

## Section A: Applicant contact information

Principal local authority name/name of bidding organisation:	Taunton Deane Borough Council
Name of Contact(s):	Paul Fitzgerald
Position in authority:	Assistant Director - Resources
Telephone number(s) of the contact(s):	01823 358680
Email address of the contact(s):	p.fitzgerald@tauntondeane.gov.uk

## Section B: Eligibility criteria

Please complete as appropriate:

The bid is from an English principal local authority	YES/ <del>NO</del>
All expenditure will be spent on counter fraud activities	YES/ <del>NO</del>
The bid is not dependent on a separate Counter Fraud Fund bid	YES/ <del>NO</del>
The bidding authority agrees to provide relevant project progress monitoring information to DCLG	YES/ <del>NO</del>
The proposal has been signed off by the relevant Section 151 officer and this proposal is accompanied by evidence to support this.	YES/ <del>NO</del>
The bid demonstrates that funding will support additional outcomes and/or service improvements.	YES/ <del>NO</del>

# Section C: Project description

## Short project title:

Please give the bid a short name, unique to any other counter fraud fund bids involving your organisation.

South West Counter Fraud Partnership

## Short Project Description (75 words maximum):

Please give the bid a short description, outlining the key objectives and proposed outcomes of the proposal.

This is a project to deliver a comprehensive counter-fraud service for participating organisations that will:

- Through the formation of a single counter-fraud team, be more efficient and effective in preventing, detecting and investigating fraudulent activity than several poorly co-ordinated small teams acting independently;
- Provide cross-partner data analysis of a wide range of different data sets, across a large geographic area, therefore providing greater opportunity to identify fraud.

## Project Summary (500 words maximum):

Please provide a brief description outlining the rationale for the project, the key elements of the scheme planned and how the counter fraud fund funding will be used. You should demonstrate how the funding will be used to achieve additional outcomes and/or service improvements.

The project recognises that more effective counter-fraud measures are needed to protect public funds, and that current expertise is likely to transfer to DWP under SFIS. The aim is to create a single unified counter-fraud team to deliver a comprehensive counter-fraud service for participating organisations.

The proposal is for Taunton Deane (TDBC), West Somerset (WSC) and South Somerset (SSDC) councils to work in partnership. Further work is needed to develop the business case, and select the preferred delivery model. The project is therefore set out in two phases:

Phase 1 – To develop business case and select preferred delivery model

Phase 2 – Implement preferred delivery model

Whilst TDBC, WSC and SSDC are proposed as initial partners, this is scalable and other authorities have provided indicative expressions of interest.

South West Audit Partnership Ltd (SWAP) currently provides internal audit services to a number of authorities in the Southwest. SWAP have developed an outline concept for delivering a joint counter-fraud function.

The authorities consider initial options could include:

- Operate a counter fraud shared service led by one of the authorities
- SWAP manage and operate a full counter fraud function for partner auths
- A hybrid of the two – with SWAP delivering certain activities.

Advantages to a joint approach include

- Economies of scale and reduced costs
- Better targeting of resources
- Better use of technology and cross-partner data analysis
- Sharing of knowledge and good practice

In addition, initial advantages for delivering through SWAP are thought to include

- Access to wider range of relevant and eligible data sets
- Access to existing analytical software and expertise
- Access to investigation expertise.
- Quicker corrective / recovery action at lower cost.

The partnership will deliver the following:

- Development of shared counter fraud strategy
- Identification and understanding of fraud risks and potential exposure to losses.
- Assessment and mitigation of resilience to fraud
- Investigation and enforcement
- Proactive anti-fraud work, such as data-matching and sample verification procedures.
- Financial savings
- Fraud Awareness training for elected members, Council employees and partners

The partnership's counter fraud resources will be directed on a risk basis to areas with the greatest potential benefit to the participating organisations, including:

- Council Tax Discounts and Support, and Non-Domestic Rates Relief and Discounts,
- Housing Tenancy-related fraud (sub-letting, key selling, no entitlement, false declarations, Right to Buy illegal succession)
- Grant applications (false declarations of health issues and circumstances).
- Procurement (over-billing/invoicing, under-delivery, payments to individuals/ businesses where no goods/services have been provided)
- Income (not billing for goods/services provided, inappropriate and/or unapproved debt write-offs)

Staff working in the Counter-Fraud Team will be professionally trained and accredited in their role or working towards accreditation.

**Grant Requirement:** Please state the total amount you are bidding for from the counter fraud fund.

2014/15: £30,000

2015/16: £80,000

Total grant sought: £110,000

### **Bidding partners:**

Please describe details of any proposed partnership arrangements, detailing the number and name of partners including any local authority matched funding and/or funding from other public or private sector organisations. If this proposal has been submitted on a single authority basis, please detail why it has not been possible to form a partnership, or provide an explanation as to why partnership working would not be appropriate.

1. Taunton Deane Borough Council (Local Authority Partner)
2. West Somerset District Council (Local Authority Partner)
3. South Somerset District Council (Local Authority Partner)
4. South West Audit Partnership Ltd ("SWAP") (Wholly owned and controlled local authority company limited by guarantee)

**Other bids:** If you are submitting other bids for counter fraud fund funding, please list all other bids specifying the name of the bid, lead bidding organisation, and the partnership arrangements of the bid.

Not applicable

## **Section D: Financial savings and wider benefits**

Your bid should provide reasonable estimates as to how the funds will result in financial savings that are at least equivalent to the funding requested.



# Expenditure

Please use this box to detail the funding requested and how the funding will spent. Proposals should work on the basis of approximately one third of the total funding to be allocated in 2014/15 with the remaining two thirds in 2015/16. Additional rows can be added as necessary.

<b>Description of expenditure</b>	<b>2014/15 Funding requested (£)</b>	<b>2015/16 Funding requested (£)</b>	<b>Total funding requested</b>
Project resources to develop business case, plus initial set up costs	30,000		30,000
Delivery resources		75,000	75,000
Training		5,000	5,000
<b>Total funding requested</b>	<b>30,000</b>	<b>80,000</b>	<b>110,000</b>
Matched Funding (if applicable)	0	40,000	40,000

Please use the box below provide:

- an explanation of why you believe the costs to be reasonable, and confirmation that all costs associated with the project have been identified;
- that financial risks have been identified and mitigation plans are in place (a risk register can be attached);
- the nature and agreement on governance arrangements and project management arrangements, necessary to take forward this project.

The costs included in the bid represent a reasonable estimate of resources needed to: progress the completion of the business case and selection of preferred delivery model by March 2015; and deliver prevention, investigation and enforcement activities in 2015/16. The work on the business case will refine the cost estimates and it is assumed that set up costs will be needed in 2014/15. The costs largely represent cost of human resources with support costs including software and administration.

Financial risks have been assessed by TDBC as part of the review of its Counter Fraud Policy on March 2014 (attached).

Governance arrangements for the partnership and any delivery via SWAP will need to be developed as part of Phase 1 of the project.

## Matched funding

If this proposal is to be supported by matched funding, please detail the amount and source of the matched funding in the table below, including the level of organisational and financial commitment and any dependencies.

Match funding is subject to approvals through the local budget process for each partner authority. There is the added uncertainty that the implementation of SFIS and the related reduction in HB Administration Grant could adversely affect the councils' budgets. At this stage it is suggested that match funding of £40,000 could be made available between the partner authorities in 2015/16 subject to these Council approvals.

## Estimated savings

Please use this box to identify the financial savings that will result from the funding. The savings identified below must be additional to those that would be realised through those counter fraud activities currently planned. Additional rows and columns can be added as necessary.

Description of financial saving	Estimated financial saving (£)				
	2015/16	2016/17	2017/18	2018/19	2019/20
Reduction in Council Tax fraud (single person discount fraud, student discounts etc)	£12,600	£12,600	£12,600	£12,600	£12,600
Reduction in Council Tax Support fraud (through failure to declare true circumstances)	£14,100	£14,100	£14,100	£14,100	£14,100
Reduction in Business Rate fraud through inappropriate award of relief (mandatory & discretionary)	£16,000	£16,000	£16,000	£16,000	£16,000
Reduction in Housing Tenancy related fraud	£36,000	£36,000	£36,000	£54,000	£54,000
Reduction in other fraud to include procurement, employee/staff related, grants and income	£10,000	£10,000	£10,000	£10,000	£10,000
<b>Total financial savings</b>	<b>£88,700</b>	<b>£88,700</b>	<b>£88,700</b>	<b>£106,700</b>	<b>£106,700</b>

Please use the box below to provide reasonable estimates of how the estimated financial savings have been calculated, including any evidence to support your estimates.

Note – it is important to stress that the estimated financial savings are gross savings across the partner authorities, and these will not be retained in their entirety by the partner authorities. Council Tax savings will be shared with major preceptors and business rates savings will be shared with the Government, County Council and Fire Authority.

- Council Tax Fraud - estimated savings through removing discounts on 30 cases with average reduction @£350, with 40 penalties issued @ £70 (dependent on council policy to apply penalties)
- Council Tax Support Fraud - estimated savings through identifying excess Council Tax Support entitlement in 30 cases with average excess entitlement being £400 with 40 penalties issued @ £70 (dependent on council policy to apply penalties)
- Business Rate fraud – through removal of 8 cases of rate relief with average relief withdrawn of £2,000 per case
- Housing related fraud – estimate through NFA average of £18k per property average loss to public purse – based on 2 frauds identified in each of years 1-3, and 3 frauds identified in years 4-5

## Wider benefits

If this proposal seeks to achieve wider benefits, for example reducing the social costs that result from types of fraudulent activity, these should be documented and quantified as far as possible.

To be considered and developed through Phase 1 of the project.

## Section E: Sustainability

Please provide evidence (up to 250 words) of how the funding requested will result in financial savings, and any wider benefits, beyond the funding period.

It is expected that the funding requested will result in financial savings on an ongoing basis. Based on cases in other areas it is apparent that investment in fraud can yield higher than anticipated savings, however a prudent approach has been taken at this stage. In the longer term, increased public awareness together with more effective prevention through, for example, better trained staff and stronger controls is likely to reduce the level of ongoing savings. However, it is anticipated that there will always be some cases of fraud and the aim is for the counter fraud function to be “self financing” as a minimum over the medium to long term – in practice the ambition is that net savings will be achieved.

The initial partners also believe that there is a strong potential for the partnership to grow if the initial results are positive.

## Section F: Innovation

Please provide an assessment (up to 250 words) on the level of innovation in the proposal and how this approach could be transferred to other local authorities and partnerships.

Innovation is a key feature of this bid. Use of technology and a wide range of data sets – which you might not readily associate with each other or fraud detection - will introduce new innovative ways of tackling fraud. This element of the bid will also be developed as part of Phase 1 of the project.

Whilst SWAP in itself is not a new entity, the potential use of our internal audit provider (with appropriate governance and separation of activities and responsibilities between audit and investigation) as a delivery vehicle is also innovative.

## Section G: Procurement Strategy

Where applicable, please outline any procurement strategy including evidence of compliance with European Procurement Rules as relevant.

All of South West Audit Partnership Ltd members are local authorities and its primary purpose is to protect and further the general interest of local authorities. On this basis – as with existing internal audit services provided by SWAP – it is considered that the 'Teckal exemption' applies. On this basis it is proposed that the counter fraud service can be delivered by SWAP to the partner authorities without recourse to a regulated procurement procedure. The partner authorities will nonetheless be seeking to obtain value for money through this proposed delivery vehicle.

## Section H: Other Information

Please use this section to provide any additional information that you think the assessors may require to evaluate your bid. Please limit your comments to no more than 250 words (Arial font, size 12).

There has been a number of expressions of interest from a number of South West authorities. However, due to the timing of bid (over summer period coinciding with staffing absences etc) and other transformation taking priority - there is a major transformation project ongoing to establish joint management and shared services for Taunton Deane and West Somerset – further work is needed to develop the concept and business case, and select the preferred delivery model.

TDBC has undertaken a lot of work in the last 12 months to review and update its Corporate Fraud Policy and related policies (e.g. whistleblowing). The council is committed to implement a counter-fraud function. West Somerset Council will shortly follow suit. SSDC is seeking to deliver an updated counter fraud strategy through the partnership.

Together, we are seeking to implement a cost effective solution that protects the public purse and effectively tackles fraud. We believe the partnership will prove to be successful and will grow over time (similar to our experience with the audit partnership).

# Section I: Approval

**Approval:** Bid approved and signed off by Section 151 officer (or authorised person in other public sector partners) for each partner to the bid.

Name	Shirlene Adam
Organisation	Taunton Deane Borough Council
Date Approved	

Name	Shirlene Adam
Organisation	West Somerset Council
Date Approved	

Name	Donna Parham
Organisation	South Somerset District Council
Date Approved	

Name	
Organisation	
Date Approved	

## **Disclaimer**

There shall be no expectation of grant until authorities have been formally notified in writing by the department. All the Applicant's costs and charges incurred as a result of making this application shall be for the applicant's account and cannot be claimed as part of the project.

## **The Data Protection Act: Freedom of Information Act 2000**

The Department for Communities and Local Government undertakes to use its best endeavours to hold confidential any information provided in any application form submitted, subject to our contracting obligations under law, including the Freedom of Information Act 2000. If you consider that any of the information submitted in the application form should not be disclosed because of its sensitivity then this should be stated with the reason for considering it sensitive. The department will then consult with you in considering any request received under the Freedom of Information Act 2000 before replying to such a request.

Applicants should be aware that the following conditions will also apply to all bid applications:

- We may use your information for the purposes of research and statistical analysis and may share anonymised information with other government departments, agencies or third parties for research and statistical analysis and reporting purposes.
- Our policies and procedures in relation to the application and evaluation of grants are subject to audit and review by both internal and external auditors. Your information may be subject to such audit and review.
- We propose to include light touch monitoring by the department utilising publicly available information. We would encourage applicants to regularly publicise progress on their websites and disseminate good practice.
- The department will publish summaries of all successful bids.



# Taunton Deane Borough Council

## Corporate Governance Committee – 22 September 2014

### Review of Standards Regime

#### Report of the Assistant Chief Executive

(This matter is the responsibility of Councillor Bryan Denington, Chairman of the Constitutional Sub-Committee.)

#### 1. Executive Summary

The report set out proposals put forward by the Constitutional Sub-Committee with regard to the future composition and operation of the Standards Regime at the Council in the light of a request from the existing Standards Committee for arrangements to be reviewed with a view to operating in a way that would enable the Parish and independent Members to more fully participate in the process than they are able to do at present.

#### 2. Background

The Council agreed to retain a Standards Committee to oversee the Standards Regime following the Localism Act 2011 and Appendix A to this report sets out the relevant extract of the Council's Constitution in this respect.

At its meeting held on 8 July 2014, the Standards Committee reviewed the processes by which it currently operated. During the debate there was much discussion and concern shared by all Members of the Committee that since the introduction of the Localism Act 2011, the Parish Councillors and Independent Members, who were now co-opted and had no right to vote, and therefore felt increasingly disenfranchised from the process.

In addition, reference was made to the fact that now that only Taunton Deane Borough Councillors had the right to vote there was a risk that the Committee could be perceived as operating in a "political" way when any Standards Regime needed to be perceived as being objective and be able to operate in an independent manner.

The Standards Committee therefore duly agreed to request that the Constitutional Sub-Committee review the current arrangements with a view to making recommendations that would enable the Parish and Independent Members to more fully participate in the process than they were able to do at present. The Committee considered that by enabling them to act on an equal basis would encourage greater engagement, demonstrate enhanced objectivity and dispel any perception of undue political influence on standards issues.

The Constitutional Sub-Committee duly considered this matter at its meeting held on 7 August 2014 and agreed to recommend that consideration be given to amending the Constitution in respect of the Standards Committee as follows:

- (i) to increase the Parish Council representatives from two to three;
- (ii) the selection process for such membership to be determined and implemented by the Monitoring Officer;
- (iii) Independent and Parish Members of the Committee be granted full voting rights alongside the five elected Members appointed by the Borough Council to serve on the Committee;
- (iv) the current requirement for all sub-committees to be chaired by an elected Member be amended so that such sub-committees can be chaired by any Committee Member.

It was acknowledged that in the event of these recommendations being adopted, the Standards Committee would need to become an Advisory Committee in order to comply with the requirements of local government legislation and thereby need to make recommendations to full Council.

The sub-committee were also cognizant of the financial pressures currently being experienced by the Council and therefore proposed that the reimbursement arrangements for members of the proposed Advisory Committee should remain as they were now to ensure that the proposal was cost neutral.

If the recommendations are adopted Appendix B sets out the amended Article 8 in regards to the Standards Advisory Committee, including track changes to set out the changes clearly.

The Committee is requested to consider the proposals of the Constitutional Sub-Committee as set out in this report and to make any appropriate recommendations to full council with or without amendments.

### **3. Finance Comments**

As referred to above, the intention is for the proposal set out in the report to be cost neutral.

### **4. Legal Comments**

If the recommendations are followed and the Committee becomes advisory then the Council would still comply with obligations placed on local authorities under the relevant legislation.

### **5. Links to Corporate Aims**

There are no direct links to Corporate aims.

### **6. Environmental and Community Safety Implications**

There are no direct Environmental and Community Safety Implications.



## **7. Equalities Impact**

An Equalities Impact Assessment must be carried out if the report is in respect of:

- New initiatives/projects with an impact on staff, service or non-service users;
- New services/changes to the way services are delivered;
- New or refreshed Strategies;
- Events – Consultation/Training; and
- Financial/budget decisions.

There are no significant equalities impacts from this report. The recommendations, if adopted, should enhance the perception of objectivity of how the Standards Regime is operated at the Council.

## **8. Risk Management**

There are no significant risk management issues arising from this report.

## **9. Partnership Implications**

The recommendations, if implemented would not prejudice partnership working, particularly in regard to the Joint Management and Shared Services Project as West Somerset Council does already operate a Standards Advisory Committee.

## **10. Recommendations**

That the Committee considers the proposals made by the Constitutional Sub-Committee and makes recommendations with or without amendments to Full Council, to come into effect after the May 2015 local elections.

**Contact:** Bruce Lang, Assistant Chief Executive  
01984 635200  
Email: [bdlang@westsomerset.gov.uk](mailto:bdlang@westsomerset.gov.uk)

### Article 8 The Standards Committee

#### 8.1 Standards Committee

The Council will establish a Standards Committee.

#### 8.2 Constitution

##### (a) Membership

The Standards Committee will be comprised of:

- (i) Five (5) elected members from each of the political groups who are represented on the Council;
- (ii) Three (3) independent co-opted members who are not Councillors or officers of the Council or of any County, District or Unitary Council or of any Parish Council within Taunton Deane.  
(These are referred to as "Independent co-opted members");
- (iii) (Subject to the same exceptions as (ii) above) two (2) members of a parish council from within the Borough of Taunton Deane who shall represent the interests of all such Parish Councils (the Parish Members);
- (iv) Members of the Standards Committee will hold office from one Annual Meeting until the next - at which point their appointments shall be either renewed or terminated at Annual Council.

##### (b) Independent co-opted members

Independent co-opted members (see 8.2(a) (ii) above):-

- (i) Shall be selected in accordance following a recruitment and selection process;
- (ii) Will not be entitled to vote at meetings of the Committee or on any sub-committees to which they have been appointed. Their role is an advisory one.

##### (c) Parish Members

A Parish Member must be present at any meeting of the Standards Committee when matters relating to Parish Councils or their members are being considered. Parish members will not be voting members of the Committee and their role is an advisory.

#### **(d) Independent Person**

The Independent Person is a person who is appointed following a recruitment and selection process and carries out the following functions:-

- (i) They must be consulted by the authority before it makes a finding as to whether a member has failed to comply with the code of conduct or decides on action to be taken in respect of that members (this means on a decision to take no actions where the investigation finds no evidence of breach or, where the investigation finds evidence that there has been a breach, on any local resolution of the complaint, or on any finding of breach and on any decision on action as a result of that finding);
- (ii) They may be consulted by the authority in respect of a standards complaint at any other stage; any
- (iii) They **MAY** be consulted by a member or co-opted member of the Borough Council or a Parish Council against whom a complaint has been made.

#### **(e) Chairing the Committee**

The Committee shall be chaired by an elected member.

#### **(f) Sub-Committees**

The Standards Committee shall be entitled to appoint sub-committees or hearing panels to assess complaints received against members where allegations are made that a member has failed to comply with the code of conduct; where this happens the following limits will apply:-

- (i) The quorum (that is, minimum size at which business may be transacted) shall be three;
- (ii) All sub-committees shall be chaired by an elected member.
- (iii) All sub-committees must include at least three voting members.
- (iv) Sub-committees may include at least one co-opted independent member;
- (v) Where a Parish Councillor is the subject of a complaint then a Parish Member (unless s/he is the subject of that investigation) shall be appointed to that sub-committee.

The Standards Committee may appoint a sub-committee to determine any application for a dispensation should time be of the essence in the application (however there must be compliance with the statutory time limits on notification of meetings).

Any sub-committee set up to determine dispensations shall adhere to the limits as set out in (f) above.

### 8.3 Role and Function

The Standards Committee will have the following roles and functions in relation to the Borough Council and Parish Councils within Taunton Deane.

- (a) Promoting and maintain high standards of conduct by Councillors and Co-opted members;
- (b) Assisting Councillors and Co-opted members to observe the Members' Code of Conduct;
- (c) Advising the Council on the adoption or revision of the Members' Code of Conduct;
- (d) Monitoring the operation of the Members' Code of Conduct;
- (e) Advising, training or arranging to train Councillors and any co-opted members on matters relating to interests set out in the Members' Code of Conduct and wider propriety issues including issuing guidance where appropriate.
- (f) Granting dispensations to Councillors and any co-opted members from requirements relating to interests set out in the Members' Code of Conduct or delegating such power to a sub-committee. Who will be authorised to determine such dispensations based on principles agreed by the Committee.
- (g) Deal with the assessment and determination of complaints under the Members' Code of Conduct relating to Members, Co-opted and Parish Members (other than the power to deal with such matters has been delegated to and exercised by the Monitoring Officer). Where the investigation finds evidence of a failure to comply with the Code of Conduct and a local resolution is not appropriate or not possible, then a Hearing Panel of the Committee (comprising three voting members of the Standards Committee agreed by the Monitoring Officer in consultation with the Committee Chairman) will consider and decide the complaint.
- (h) Take decisions in respect of a Member and Co-opted Members who is found on hearing to have failed to comply with the Code of Conduct, including:-
  - Reporting its findings to Council [or to the Parish Council] for information;
  - Recommending to the member's Group Leader that he/she be removed from any or all Committees or Sub-Committees of the Council;
  - Recommending to the Leader of the Council that the member be removed from the Executive Committee or removed from particular Portfolio responsibilities should the complaint refer to a Portfolio holder;
  - Instructing the Monitoring Officer to [or recommend to the Parish Council] arrange training for the member.

- Removing [or recommend to the Parish Council that the member be removed] from all outside appointed or nominated by the authority [or by the Parish Council];
  - Withdrawing [or recommend to the Parish Council that it withdraws] facilities provided to the member by the Council, such as a computer, website and/or email and Internet access;
  - Restricting contact to named officers or requiring contact through named officers; or
  - Excluding [or recommend that the Parish Council exclude] the member from the Council's offices or other premises, with the exception of meeting rooms for necessary for attending Council, Committee and Sub-Committee meetings.
- (i) Advise on the management of statutory and other registers of Interest and gifts/hospitality received;
- (j) Advise the Council on possible changes to the Constitution (except the Council and Executive Schemes of Delegation) in relation the key documents and protocols dealing with members conduct and ethical stanadrds;

## Article 8 The Standards Advisory Committee

### 1.1 Standards Advisory Committee

The Council will establish a Standards Advisory Committee.

### 1.2 Constitution

#### (a) Membership

The Standards Advisory Committee will be comprised of:

- (i) five (5) elected members from each of the political groups who are represented on the Council;
- (ii) three (3) independent members who are not councillors or officers of the Council or of any County, District or Unitary Council or of any Parish Council within Taunton Deane (these are referred to as "Independent members");
- (iii) three (3) members of a parish council from within the Borough of Taunton Deane who shall represent the interests of all such Parish Councils (the Parish Members);
- (iv) the five elected members of the Standards Advisory Committee will hold office from one Annual Meeting until the next - at which point their appointments shall be either renewed or terminated at Annual Council.

#### (b) Independent members

Independent members (see 8.2(a)(ii) above)

shall be selected in accordance following a recruitment and selection process and will be entitled to vote.

#### (c) Parish Members

A Parish Member must be present at any meeting of the Standards Advisory Committee when matters relating to Parish Councils or their members are being considered and will be entitled to vote.

#### (d) Independent Person

The Independent Person is a person who is appointed following a recruitment and selection process and carries out the following functions:-

- (i) they **must** be consulted by the authority before it makes a finding as to whether a member has failed to comply with the code of conduct or decides on action to be taken in respect of that member (this means on a decision to take no action where

the investigation finds no evidence of breach or, where the investigation finds evidence that there has been a breach, on any local resolution of the complaint, or on any finding of breach and on any decision on action as a result of that finding);

- (ii) they **may** be consulted by the authority in respect of a standards complaint at any other stage; and
- (iii) they **may** be consulted by a member or co-opted member of the Borough Council or of a Parish Council against whom a complaint has been made.

(e) **Chairing the Committee**

The Committee shall be chaired by an elected member.

(f) **Sub-committees**

The Standards Advisory Committee shall be entitled to appoint sub-committees or Hearings Panels to assess complaints received against members where allegations are made that a member has failed to comply with the code of conduct; where this happens the following limits will apply:-

- (i) the quorum (that is, minimum size at which business may be transacted) shall be 3;
  - (ii) All sub-committees shall be chaired by a Committee Member;
  - (iii) All sub-committees must include at least 3 voting members
  - (iii) Sub-committees must include at least one independent member;
  - (iv) where a Parish Councillor is the subject of a complaint then a Parish Member (unless s/he is the subject of that investigation) shall be appointed to that sub-committee.
- (g) The Standards Advisory Committee may appoint a sub-committee to make recommendations on any application for a dispensation should time be of the essence in the application (however there must be compliance with the statutory time limits on notification of meetings).
- (h) Any sub-committee set up to make recommendations on any application for dispensations shall adhere to the limits as set out in (f) above.

**1.3 Role and Function**

The Standards Advisory Committee will have the following roles and functions in relation to the Borough Council and Parish Councils within Taunton Deane and will make recommendations to the Council on:

- (a) promoting and maintaining high standards of conduct by councillors and co-opted members;
- (b) assisting councillors and co-opted members to observe the Members' Code of Conduct;
- (c) advising the Council on the adoption or revision of the Members' Code of Conduct;
- (d) monitoring the operation of the Members' Code of Conduct;
- (e) advising, training or arranging to train councillors and any co-opted members on matters relating to the Members' Code of Conduct and wider propriety issues including issuing guidance where appropriate;
- (f) granting dispensations to councillors and any co-opted members from requirements relating to interests set out in the Members' Code of Conduct or delegating such power to a sub-committee. who will be authorised to make recommendations in regard to applications for such dispensations based on principles agreed by the Committee:
- (g) deal with the assessment and determination of complaints under the Members' Code of Conduct relating to Members, Co-opted and Parish Members (other than where the power to deal with such matters has been delegated to and exercised by the Monitoring Officer). Where the investigation finds evidence of a failure to comply with the Code of Conduct and a local resolution is not appropriate or not possible, then a Hearing Panel of the Committee (comprising 3 voting members of the Standards Advisory Committee agreed by the Monitoring Officer in consultation with the Committee Chairman) will consider and make recommendations on the complaint.
- (h) make recommendations in respect of a Member and Co-opted Member who is found on hearing to have failed to comply with the Code of Conduct, including –
  - Reporting its findings to Council [or to the Parish Council] for information;
  - Recommending to the member's Group Leader that he/she be removed from any or all Committees or Sub-Committees of the Council;
  - Recommending to the Leader of the Council that the member be removed from the Executive Committee, or removed from



## APPENDIX B

particular Portfolio responsibilities should the complaint refer to a Portfolio holder;

- Instructing the Monitoring Officer to [or recommend that the Parish Council] arrange training for the member;
  - Removing [or recommend to the Parish Council that the member be removed] from all outside appointments to which he/she has been appointed or nominated by the authority [or by the Parish Council];
  - Withdrawing [or recommend to the Parish Council that it withdraws] facilities provided to the member by the Council, such as a computer, website and/or email and Internet access;
  - Restricting contact to named officers or requiring contact be through named officers; or
  - Excluding [or recommend that the Parish Council exclude] the member from the Council's offices or other premises, with the exception of meeting rooms as necessary for attending Council, Committee and Sub-Committee meetings.
- (i) advise on the management of statutory and other registers of interest and gifts / hospitality received;
- (j) advise the Council on possible changes to the Constitution (except the Council and Executive Schemes of Delegation) in relation the key documents and protocols dealing with members conduct and ethical standards;

# Taunton Deane Borough Council

## Corporate Governance Committee – 22 September 2014

### Review of Petition Scheme

#### Report of the Assistant Chief Executive

(This matter is the responsibility of Councillor Bryan Denington, Chairman of the Constitutional Sub-Committee.)

#### 1. Executive Summary

This report sets out proposals from the Constitutional Sub-Committee in regard to making recommendations to Council to review its position on dealing with petitions in light of changes as a consequence of the repeal of legislation relating to this issue.

#### 2. Background

The Local Democracy, Economic Development and Construction Act 2009 made it a statutory duty for all councils to adopt a formal petition scheme. The Council duly adopted such a scheme at its meeting held on 13th July 2010.

The scheme adopted by the Council obliged the Council to respond appropriately to compliant petitions and inform people what action would be taken to address their concerns.

The scheme had to be published on the Council's website and by any other method appropriate for bringing it to the attention of those who live, work, study and do business in the Borough.

The Council was also required to respond to petitions which relate to the functions of its partner authorities and which seek an improvement in the economic, social or environmental wellbeing of the Borough.

The Council is currently required to respond to all compliant petitions and set thresholds for taking certain steps in response to a petition where practicable. There are currently three types of petitions relevant to the scheme:

- Ordinary petitions – which must contain at least 25 signatures. The petition organiser can present their petition to a meeting of the Council who will, without discussion, refer the petition to the relevant decision maker (this could be an officer of the Council or one of the Council's committees), or the petition organiser can meet with the relevant decision maker direct to present their petition.
- Petitions for Council debate – which must contain at least 1500 signatures which if validated will be debated or discussed at a meeting of the Full Council.

- Petitions calling for the Council employees to give evidence at a Scrutiny Committee meeting – which must contain at least 750 signatures which can call for a senior Council employee to give evidence at a public meeting of a Scrutiny Committee.

To my knowledge, to date, very few petitions have been received that have required a council debate or a referral to a Scrutiny Committee.

Chapter 10 of the Localism Act 2011 has repealed the requirement for such a statutory petition scheme and mandatory new petitions facility with specified trigger points for the number of signatures required.

There is therefore now the opportunity for the Council to review its position and provide greater clarity and flexibility if it so wishes.

The Constitutional Sub-Committee gave consideration to this matter at its meetings held on 13 May and 7 August 2014.

As part of its review the Committee undertook some research to the trigger points for petition schemes that were currently operated by nearby and neighbouring local authorities – as set out in Appendix A of this report. The Sub-Committee considered various options and in particular the following three approaches:

- 1) To retain the current scheme and perhaps consider giving this facility a higher profile to encourage the public to avail themselves of it.
- 2) To withdraw the current scheme and make the receipt and consideration of petitions as flexible as possible so that they could be dealt with in line with any correspondence received by the Council.
- 3) To continue with a more formal scheme but to vary the trigger points in terms of amounts of signatures required to encourage greater participation.

The Sub-Committee concluded that whilst there was now no duty on the Council to maintain a petition scheme, the authority had an overriding responsibility to promote democracy and it would therefore be advisable for the Council to retain a scheme of some form but to ensure that any such scheme should be flexible and user-friendly to encourage more petitions to be submitted in the future.

The Sub-Committee are therefore recommending that consideration be given to instituting a simplified scheme whereby there is only one definition of a petition which must contain at least 200 signatures which, if validated, will be debated or discussed at a meeting of the Full Council. To assist users a sample petition sheet would be provided – see attached a draft of the new simplified scheme together with a possible sample petition sheet at Appendix B to this report.

The Committee is requested to give consideration to these proposals and make appropriate recommendations to full council.

### **3. Finance Comments**

There are no significant financial implications arising from the recommended way forward. Any additional duties/workload arising from an increased use of a petition scheme would need to be met from within existing resources.

#### **4. Legal Comments**

Chapter 10 of the Localism Act 2011 has repealed Chapter 2 of Part 1 of the Local Democracy, Economic Development and Construction Act 2009 and removed the duty on the Council to maintain a petition scheme. Nevertheless, in keeping with its general duty to promote democracy it would be advisable for the Council to retain a petition scheme of some form.

#### **5. Links to Corporate Aims**

There are no direct links to Corporate aims.

#### **6. Environmental and Community Safety Implications**

There are no direct Environmental and Community Safety Implications.

#### **7. Equalities Impact**

An Equalities Impact Assessment must be carried out if the report is in respect of:

- New initiatives/projects with an impact on staff, service or non-service users;
- New services/changes to the way services are delivered;
- New or refreshed Strategies;
- Events – Consultation/Training; and
- Financial/budget decisions.

#### **Recommended way forward**

The proposed changes to the petition scheme should not disadvantage any sections/vulnerable groups in the community.

#### **8. Risk Management**

There are no significant risk management issues arising from the report.

#### **9. Partnership Implications**

There are no significant partnership implications arising from the report.

#### **10. Recommendations**

The Committee is requested to consider the proposals made by the Constitutional Sub-Committee with a view to submitting recommendations, with or without amendments, to Full Council for adoption.

**Contact:** Bruce Lang, Assistant Chief Executive  
01984 635200

Email: [bdlang@westsomerset.gov.uk](mailto:bdlang@westsomerset.gov.uk)

## Appendix A

### Comparison of Current Petition Schemes

<b>Council</b>	<b>Ordinary Petition Definition</b>	<b>Trigger Level for Council Debate</b>	<b>Trigger Level for Evidence Giving</b>
Taunton Deane Borough Council	Yes 25 signatures	1,500 signatures	750 signatures
West Somerset Council	No	Not Applicable	Not Applicable
Sedgemoor District Council	No	1,100 signatures	550 signatures
South Somerset District Council	Yes 25 signatures	8,000 signatures	4,000 signatures
Mendip District Council	Yes 50 signatures	1,500 signatures	750 signatures
Somerset County Council	No	5,000 signatures	2,500 signatures
Cornwall Council	Yes 25 signatures	5,000 signatures	1,000 signatures
North Somerset Council	No	10,000 signatures	6,000 signatures

## Appendix B

### Presentation of Petitions

- (1)
  - (a) A petition is a written request signed by the requisite number of people appealing to an authority about a particular cause or issue.
  - (b) A petition requiring debate by full Council is a petition that contains more than 200 signatures and will be debated by full Council.
- (2) Excluded Matters are matters that are excluded from the scope of the petitions duty and these are:-
  - (a) Any matter relating to a planning decision, including about a development plan document or the community infrastructure levy;
  - (b) Any matter relating to an alcohol, gambling or sex establishment licensing decision;
  - (c) Any matter relating to an individual or entity in respect of which that individual or entity has a right of recourse to a review or right of appeal conferred by or under any enactment.
- (3) Petitions submitted to the Council must include:-
  - (a) A clear and concise statement covering the subject of the petition. It should state what action the petitioners wish the Council to take;
  - (b) The name and address and signature of any person supporting the petition;
  - (c) The name and address of the petition organiser.
- (4) All petitions will be acknowledged within 10 working days.
- (5) A petitioner has the right to request a review of the steps taken in response to the petition if they are unhappy and that request shall be made to one of the Council's Overview and Scrutiny Committee.

# Petition to Taunton Deane Borough Council

## Petition Scheme check list:

1. Any petition must meet the Council's Petition Scheme requirements and be signed by at least 200 people.
2. Petitions with at least 200 signatures will be debated at Council.
3. Please send your petition to the Democratic Services Manager, Taunton Deane Borough Council, Belvedere Road, Taunton TA1 1HE.  
Email: [csu@tauntondeane.gov.uk](mailto:csu@tauntondeane.gov.uk)

Alternatively you can present your petition to your local Councillor.

## Contact details of the lead petitioner:

(the person the Council will contact with responses to the petition)

Name (please print)	Address (please print)	Signature
	Address:  Telephone No: (Home/Work) (Mobile)  (Email)	

**We the undersigned petition the Council to:**

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**22/09/2014, Report:Health and Safety Update Report**

Reporting Officers:Catrin Brown

**22/09/2014, Report:Grant Thornton - Audit Findings**

Reporting Officers:Peter Barber

**22/09/2014, Report:Grant Thornton - Certification Plan**

Reporting Officers:Peter Barber

**22/09/2014, Report:Approval of Statement of Accounts 2013/14**

Reporting Officers:Paul Fitzgerald

**22/09/2014, Report:Internal Audit Plan 14/15 - Progress Report**

Reporting Officers:Alistair Woodland

**22/09/2014, Report:Corporate Risk Update**

Reporting Officers:Paul Harding

**22/09/2014, Report:Approach to Corporate Fraud**

Reporting Officers:Paul Fitzgerald

**22/09/2014, Report:Review of the Standards Regime**

Reporting Officers:Bruce Lang

**22/09/2014, Report:Review of Petitions Scheme**

Reporting Officers:Bruce Lang

**08/12/2014, Report:HRA Self-Financing Code Self Assessment Outcome**

Reporting Officers:James Barra

**08/12/2014, Report:Pensions Deficit Presentation**

Reporting Officers:Anton Sweet

**08/12/2014, Report:Health and Safety Update Report**

Reporting Officers:Catrin Brown

**08/12/2014, Report:Grant Thornton - Annual Audit Letter 2012/13**

Reporting Officers:Peter Barber

**08/12/2014, Report:Grant Thornton - External Audit Update**

Reporting Officers:Peter Barber

**08/12/2014, Report:Internal Audit Plan - Progress Report**

Reporting Officers:Alistair Woodland

**08/12/2014, Report:Corporate Governance Action Plan Update**

Reporting Officers:Paul Harding

**08/12/2014, Report:Regulation of Investigatory Powers Act - Update following inspection**

Reporting Officers:Bruce Lang

**09/03/2015, Report:Health and Safety Update Report**

Reporting Officers:Catrin Brown

**09/03/2015, Report:Grant Thornton External Audit - Certification of Grant Claims**

Reporting Officers:Ashley Allen,Peter Barber

**09/03/2015, Report:Grant Thornton External Audit - External Audit Fees 2015/16**

Reporting Officers:Ashley Allen,Peter Barber

**09/03/2015, Report:Grant Thornton External Audit - Audit Progress**

Reporting Officers:Anton Sweet,Peter Barber

**09/03/2015, Report:Risk Management Update Report**

Reporting Officers:Paul Harding

**09/03/2015, Report:SWAP Internal Audit - Progress Report 2014/15**

Reporting Officers:Alistair Woodland

**09/03/2015, Report:SWAP Internal Audit Plan 2015/16**

Reporting Officers:Alistair Woodland

**26/05/2015, Report:Grant Thornton External Audit Plan 2014/15**

Reporting Officers:Ashley Allen,Peter Barber

**26/05/2015, Report:Grant Thornton External Audit Update**

Reporting Officers:Ashley Allen,Peter Barber

**26/05/2015, Report:Draft Annual Governance Statement 2014/15**

Reporting Officers:Paul Harding

**22/06/2015, Report:Health and Safety Update Report**

Reporting Officers:Catrin Brown

**22/06/2015, Report:Corporate Governance Action Plan Update**

Reporting Officers:Paul Harding

**22/06/2015, Report:Corporate Risk Update Report**

Reporting Officers:Paul Harding

**22/06/2015, Report:SWAP Internal Audit - Annual Report**

Reporting Officers:Alistair Woodland

**22/06/2015, Report:SWAP Internal Audit - Review of Effectiveness**

Reporting Officers:Shirlene Adam

**22/06/2015, Report:Annual Governance Statement 2014/15**

Reporting Officers:Paul Harding

**28/09/2015, Report:Health and Safety Update Report**

Reporting Officers:Catrin Brown

**28/09/2015, Report:Grant Thornton External Audit - Audit Findings**

Reporting Officers:Ashley Allen,Peter Barber

**28/09/2015, Report:Grant Thornton External Audit - Certification Plan**

Reporting Officers:Ashley Allen,Peter Barber

**28/09/2015, Report:Approval of the Statement of Accounts**

Reporting Officers:Jo Nacey,Paul Fitzgerald

**28/09/2015, Report:SWAP Internal Audit - Progress Update Report 2014/15**

Reporting Officers:Alistair Woodland

**07/12/2015, Report:Health and Safety Update Report**

Reporting Officers:Catrin Brown

**07/12/2015, Report:Grant Thornton External Audit - Annual Audit Letter 2014/15**

Reporting Officers:Ashley Allen,Peter Barber

**07/12/2015, Report:Grant Thornton External Audit Update**

Reporting Officers:Ashley Allen,Peter Barber

**07/12/2015, Report:Corporate Governance Action Plan**

Reporting Officers:Paul Harding

**07/12/2015, Report:Corporate Risk Update Report**

Reporting Officers:Paul Harding

**07/12/2015, Report:SWAP Internal Audit - Progress Report 2014/15**

Reporting Officers:Alistair Woodland