Corporate Governance Committee

You are requested to attend a meeting of the Corporate Governance Committee to be held in The John Meikle Room, The Deane House, Belvedere Road, Taunton on 31 July 2017 at 18:15.

Agenda

1 Apologies.

2 Minutes of the meeting of the Corporate Governance Committee held on 20 June 2017 (attached).

3 Public Question Time.

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

5 Assessment of Going Concern Status 2016/17. Report of The Assistant Director – Strategic Finance and S151 Officer (attached)
Reporting Officer: Paul Fitzgerald

6 External Audit 2016/17 – Audit Findings Report. Report of the Audit Manager, (attached).
Reporting Officer: Rebecca Usher

7 Approval of the Statement of Accounts 2016/17. Report of the Financial Services Manager and Deputy s151 Officer, (attached).
Reporting Officer: Jo Nacey

8 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

04 March 2018

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.

Full Council, Executive, Committees and Task and Finish Review agendas, reports and minutes are available on our website: www.tauntondeane.gov.uk

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

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

For further information about the meeting, please contact the Corporate Support Unit on 01823 356414 or email r.bryant@tauntondeane.gov.uk

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Corporate Governance Committee Members:-

Councillor A Sully (Chairman)
Councillor M Adkins
Councillor C Booth
Councillor N Cavill
Councillor E Gaines
Councillor A Govier
Councillor T Hall
Councillor J Horsley
Councillor J Hunt
Councillor S Nicholls
Councillor R Ryan
Councillor Mrs F Smith-Roberts
Councillor C Tucker
Councillor D Webber

AGENDA ITEM NO. 2

Corporate Governance Committee – 20 June 2017

Present: Councillor Sully (Chairman)
Councillor Hall, Hunt, Nicholls, Ryan, Mrs Smith-Roberts, Mrs Tucker, Wedderkopp.

Officers: Paul Fitzgerald (Assistant Director - Resources), Alistair Woodland (Assistant Director – South West Audit Partnership), Richard Doyle (Corporate Strategy and Performance Officer) Catrin Brown (Health and Safety Manager) Rebecca Usher (Audit Manager – Grant Thornton) and Tracey Meadows (Democratic Services Officer).

(The meeting commenced at 6.15 pm)

1. Appointment of Chairman

Resolved that Councillor Sully be appointed Chairman of the Corporate Governance Committee for the remainder of the Municipal Year.

2. Appointment of Vice-Chairman

Resolved that Councillor Mrs Stock-Williams be appointed Vice-Chairman of the Community Scrutiny Committee for the remainder of the Municipal Year.

3. Apologies

Apologies: Councillor Horsley and Mrs Reed.
Substitution: Councillor Wedderkopp for Horsley.

4. Minutes

The Minutes of the meetings of the Corporate Scrutiny Committee held on 20 March 2017 were taken as read and were signed.

5. Declaration of Interests

Councillor Hunt declared personal interests as a Member of Somerset County Council, Exmoor National Park Authority Member, Devon & Somerset Fire & Rescue Authority Member and Tacchi Morris Management Committee Member.

6. Update on Health and Safety Performance

Considered report previously circulated, which updated the committee on the Health and Safety Performance

Considered report previously circulated, concerning an update on the progress of a range of Health and Safety matters across the organisation. These included:-

- Accident and Incident Data for the period;
- Monitoring Health and Safety Performance;
- Report on actions agreed by Health and Safety Committee;
- Policy updates; and

- Key activities of the Health and Safety Advisor.

During the consideration of this item no points were made

- Changes to the colour schemes on the graphs were requested in future reports.
- Benchmarks had been created to improve the reporting methods
- Increases of reports in specific areas were to be reported in the next update.
- Details around prevention of accidents were discussed, improvements to procedures and training were set out.
- Manual handling training was revisited depending on the work area, some annual refreshers were given. E-learning programmes or toolbox talks were provided.
- The Asbestos working group was made up of members of Asset and Property management and DLO operatives. A Consultant asbestos specialist attended these meetings.
- DLO asbestos team managed working arrangements for DLO operatives. A contract manager who manages the arrangements around heating and renewal contracts.
- Data collection is part of this function in collecting asbestos surveys from corporate stock along with housing stock, this can be accessed by DLO planners so that they access information relating to individual properties.

Resolved that the report be noted.

7. External Audit Fees 2017/18.

Members considered the letter previously circulated, concerning the details of the fee forecast for external audit services in 2017/18.

Each year the external auditors, Grant Thornton, provided details of the forecast fees to be charged for the main audit and the grant certification work relating to the current year.

The attached letter provided details of the fees and the schedule of payments. Grant Thornton had also provided an outline audit timetable to show the phasing of their work. Any additional audit work, outside of the planned audit and grant certification work will be billed separately and will be an addition to the fee quoted.

The main audit fee was £50,629 (the same as 2016/17). This did not include the fee for the grant certification work which was still to be set. The fee for this last year was £7,793.

Following the presentation of this item, no points were made.

Resolved that the report be noted.

8. External Audit (Grant Thornton) Update Report.

Considered report previously circulated, which set out the External Audit Update Report.

Members considered the report previously circulated, providing a regular update report for Members by our external auditors, Grant Thornton. Specifically the report provided an update in relation to their work for the 2016/17 financial year and also provided an update in relation to emerging national issues.

The report updated Members on the status, progress and completed work in relation to the auditor's planned schedule of work, year ending 31 March 2017. The Auditors had completed risk assessments in the prescribed audit work areas. If any risks came out of the assessment process, the Auditor's would look into those risks and the area in further detail.

In addition, this report updated Members on any national headlines and issues that might have an impact upon the Council.

Following the presentation of this item, no points were made.

Resolved that the report be noted.

9. SWAP Internal Audit – Internal Audit Plan 2016/17 Outturn.

Considered report previously circulated, concerning SWAP Internal Audit – Internal Audit Plan 2016/17 Outturn:-

Members considered the report previously circulated, concerning the work of the Council's Internal Audit Service and provided details of any new significant weaknesses identified during internal audit work completed since the last report to the committee in March 2017 as well as a schedule of audits completed during the period, detailing their respective assurance opinion rating, the number of recommendations and the respective priority rankings.

A copy of the Internal Audit Progress Report for 2016/17 was attached as an appendix with the covering report.

The 2016-17 Annual Audit Plan was intended to provide independent and objective assurance on TDBC's Internal Control Environment and this work would support the Annual Governance Statement.

During the discussion of this item the following points were made:-

- The high number of duplicate invoices was questioned, purchase order numbers would be generated for all purchases.
- Assurances were sought for a process to be put in place to resolve the issues around this.
- Members had access to recommendations of each past assurance audit.
- An Interim audit report would e-mailed to the committee detailing progress.
- Crematorium audit controls were discussed. It was considered if there were other areas of the business that need to be looked at?
- An annual debtors audit was conducted looking at income arrangements across the authority in all services. Requests could be made on specific service areas.
- The senior officer for debt recovery had been asked to conduct a follow up review of income processes across all services.

- All outstanding debt had been recovered from the Crematorium.
- The replacement system (E5) for SAP had been implemented, billing processes for income streams would be looked at as the next piece of work.
- Some different service areas use alternative systems. Not all income comes through the same system, the interfaces could come through E5 as a future option.

Resolved that the Internal Audit Plan and Charter be noted.

10. SWAP Internal Audit – Internal Annual Opinion Report 2016/17

Members considered the report previously circulated, concerning the Internal Annual Opinion Report 2016/17.

Members considered the report previously concerning the Internal Audit Opinion for 2016/17.

The report summarised the work of the Council's Internal Audit Service and provides:

- For the 2016-17 audit plan for the Council contained a total of 27 reviews to be delivered.
- A detailed summary of the key risks that were identified during the 2016-17 financial year were set out.
- 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.

A copy of the Internal Audit Opinion was attached as an appendix with the covering report.

During the discussion of this item the following points were made:-

- The audit plan was approved in March, a number of days were allocated to each audit. All service managers were aware when reviews were undertaken and the timetable.
- One of the risks identified in relation to the crematorium service was a loss of income.
- The length of an audit depended on officer availability and target dates in the agreement.
- The Risk of the formation of the new Council was outlined, understanding the risks that are faced along with risk management gave managers the ability to understand risks fully.
- In discussion of the SWAP performance and benchmarking of KPI's, the target of draft reports were to be submitted within 5 days and final reports within 10 days of the draft report.
- It was recognised that there is some scope for improvement in meeting the performance targets.
- The performance targets were being considered to determine if these are fair and could be achieved.

- SWAP would continue to review this and report on a timely basis following audits.
- Staff and managers do had competing priorities in relation to performance timescales.

Resolved that the report be noted.

11. Review of Effectiveness of Internal Audit

Considered report previously circulated, concerning the Review of Effectiveness of Internal Audit.

Members considered the report previously circulated, which set out to inform the Corporate Governance Committee of the recent review of the effectiveness of the delivery of Internal Audit through SWAP (South West Audit Partnership) during 2017/18.

The Councils' review of Internal Audit had been carried out by the Director of Operations (the Council's S151 Officer) and the findings had been reported as part of the overall evaluation and would also provide supporting evidence for the Annual Governance Statement.

Included within the report was a table of information detailing some of the overall performance of the service during the year compared to the previous three years.

For example the percentage of Audits and Reviews completed within a year compared to the plan in 2012/13 – 87%, 2013/14 – 89%, 2014/15 – 75% and 2015/16 – 62% 2016/17 – 89% (end of March).

Contained within the officers' report were the details of agreed Action Plan for the remaining planned Audits and the status of those audits as well as an update against them, which had yet to be completed from 2016/17 and progress from the planned audits from 2017/18.

During the discussion of this item the following points were made:-

- The improvement of figures when compared with the previous year in relation to SWAP performance figures were commended.
- SWAP were thanked for the work undertaken with progressing with the audit programme.

Resolved that the report be noted.

10. Draft Annual Governance Statement 2016/17

Considered report previously circulated, considering the Draft Annual Governance Statement 2016/17.

Members considered the report previously circulated, concerning the Councils' review of effectiveness of its systems of internal control and governance arrangements and to produce an Annual Governance Statement (AGS) on behalf of

the Leader of the Council and the Chief Executive, providing an assessment of these arrangements.

The 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 Council had approved and adopted a Code of Corporate Governance, which was consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework “Delivering Good Governance in Local Government”.

The Annual Governance Statement explained how the Council had complied with the code and also meet 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 Governance Officers Group had led the 2016/17 review of the governance framework. The group included the Monitoring Officer (Assistant Chief Executive), the deputy s151 Officer the internal Audit Manager, the Assistant Director Corporate Services and the Corporate Strategy & Performance Manager

The Corporate Governance Officers Group led the 2016/17 review of the governance framework. The group includes the Monitoring Officer (Assistant Chief Executive), the deputy s151 Officer the internal Audit Manager, the Assistant Director Corporate Services and the Corporate Strategy & Performance Manager. The conclusions from this review were that overall the Council’s governance framework is reasonable and fit for purpose.

The AGS described how the council complied with each of the six core principles of the Code of Corporate Governance, and additionally identifies governance issues identified and the steps to be taken during to address these matters

A copy of the draft Annual Governance Statement was attached as an appendix with the covering report.

Following the presentation of this item, no points were made.

Resolved that the Corporate Governance Committee recommend the adoption of the Draft Governance Statement by The Leader of the Council and Chief Executive.

11. Corporate Governance Committee Forward Plan

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

Resolved that the Corporate Governance Committee Forward Plan be noted.

(The meeting ended at 7.20pm).

AGENDA ITEM NO. 4

Usual Declarations of Interest by Councillors

Corporate Governance Committee

- Member of Somerset County Council – Councillor Govier

- Member of Somerset County Council, Exmoor National Park Authority Member, Devon & Somerset Fire & Rescue Authority Member and Tacchi Morris Management Committee Member – Councillor Hunt

AGENDA ITEM NO. 5

Taunton Deane Council

Corporate Governance Committee – 31 July 2017

Assessment of Going Concern Status

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

Report Author: Jo Nacey, Financial Services Manager and Deputy S151 Officer

1 Purpose of the Report

1.1 To inform the Corporate Governance Committee of the Assistant Director Strategic Finance and S151 Officer's assessment of the Council as a "going concern" for the purposes of producing the Statement of Accounts for 2016/17.

2 Recommendations

2.1 Members note the assessment made of the Council's status as a "going concern" as a basis for preparing the 2016/17 Statement of Accounts.

3 Risk Assessment (if appropriate)

Risk Matrix

Description	Likelihood	Impact	Overall
The Council is no longer assessed as being a 'going concern', placing ongoing operating at risk.	2	5	10
Mitigation: Through effective governance and financial control environment, management and Members continue to address the financial sustainability challenge.	*1*	*4*	*4*

Risk Scoring Matrix

Likelihood	5	Almost Certain	Low (5)	Medium (10)	High (15)	Very High (20)	Very High (25)
	4	Likely	Low (4)	Medium (8)	Medium (12)	High (16)	Very High (20)
	3	Possible	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Unlikely	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	Rare	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
			1	2	3	4	5
			Negligible	Minor	Moderate	Major	Catastrophic
			Impact				

Likelihood of risk occurring	Indicator	Description (chance of occurrence)
1. Very Unlikely	May occur in exceptional circumstances	< 10%
2. Slight	Is unlikely to, but could occur at some time	10 – 25%
3. Feasible	Fairly likely to occur at same time	25 – 50%
4. Likely	Likely to occur within the next 1-2 years, or occurs occasionally	50 – 75%
5. Very Likely	Regular occurrence (daily / weekly / monthly)	> 75%

4 Background to the Report

4.1 The concept of a "going concern" assumes that an authority, its functions and services will continue in operational existence for the foreseeable future. This assumption underpins the accounts drawn up under the Local Authority Code of Accounting Practice and is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.

4.2 If the assessment determined that the Council is not a "going concern", particular care would be needed in the valuation of assets, as inventories and property, plant and equipment may not be realisable at their book values and provisions may be needed for closure costs or redundancies. An inability to apply the going concern concept would potentially have a fundamental impact on the financial statements.

4.3 Given the significant reduction in funding for local government in recent years and the potential threat this poses nationally to the ongoing viability of one or more councils as a consequence, external auditors are placing a greater emphasis on local authorities undertaking an assessment of the "going concern" basis on which they prepare their financial statements. This report sets out the position at Taunton Deane.

4.4 As with all principal local authorities, the Council is required to compile its Statement of Accounts in accordance with the current Code of Practice on Local Authority Accounting (hereafter referred to as the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). In accordance with the Code the Council's Statement of Accounts is prepared assuming that the Council will continue to operate in the foreseeable future and that it is able to do so within the current and anticipated resources available. By this, it is meant that the Council will realise its assets and settle its obligations in the normal course of business.

4.5 The main factors which underpin this assessment are:

- The Council's current financial position;
- The Council's projected financial position;
- The Council's governance arrangements;
- The regulatory and control environment applicable to the Council as a local authority.

5 The Council's Current Position

5.1 The challenges the Council faces in setting a balanced budget are still considerable but Members and officers remain confident that with the implementation of transformational changes to service provision, a balanced and sustainable budget position is possible.

6 The Council's Year End Position (Revenue)

General Fund

6.1 The financial performance in 2016/17 resulted in a net underspend for 2016/17 of £0.101m (0.07%) for the year (reported to Corporate Scrutiny July 2017; Executive August 2017). As at 31 March 2017 the Council held a General Reserves Balance of £2.186m (minimum level is set at £1.6m) and held Earmarked Revenue Reserves totalling £17.3m. The level of adequate reserves, and the ongoing requirement for specified earmarked reserves, is reviewed on a regular basis.

6.2 The Council has set a balanced budget for 2017/18. This has been achieved despite continued reduction in mainstream grant funding and an unexpected spike in pension costs. The budget includes £0.322m of identified savings through transformation, reduced travel costs through use of pool cars, and a modest range of service savings options. The budget does not require the use of reserves to support ongoing spending. Less than 10% of New Homes Bonus is used to support revenue spending on services, reflecting the Council's priority of using New Homes Bonus funds for growth, regeneration and infrastructure investment.

Housing Revenue Account

6.3 The financial performance in 2016/17 resulted in a net underspend for 2016/17 of £0.882m (reported to Corporate Scrutiny July 2017; Executive August 2017). As at 31 March 2017 the Council held an HRA Reserve Balance of £3.224m (minimum level is set at £1.8m). In addition there are HRA Earmarked Reserves totalling £11.438m to support specific issues. The level of adequate reserves, and the ongoing requirement for specified earmarked reserves, is reviewed on an annual basis.

6.4 A number of largely external changes meant that a full refresh was needed for the HRA 30 year Business Plan, with a revised plan approved in July 2016. The

2017/18 Budget for the HRA is based on the priorities set out in the Plan. The Budget has a planned use of £1.094m from HRA Reserves.

7 The Council's Projected Financial Position (Revenue)

General Fund

7.1 The Council is forecasting a budget gap for 2018/19 of £388k, which is projected to grow to £771k by 2021/22. This position incorporates the projected cumulative annual savings of £1.493m through transformation, and it is fundamental that these are delivered. It is clear that further savings will be required over the medium term. Jointly with West Somerset the Council has submitted an application to create a new single council covering both areas, and this is projected to deliver a further combined £551k. Notionally a proportion of this would reduce the budget gap identified above. The council is also exploring opportunities for further income generation.

7.2 Other suggested areas to be considered for review include: savings plans for services, review of fees and charges, updated asset management strategy, procurement savings options, and review of discretionary policies. This list will not be exhaustive, and Members will be asked to engage with and support the challenge of setting appropriate targets to secure a long term sustainable financial position.

Housing Revenue Account

7.3 The updated HRA Business Plan has highlighted the ongoing challenges of tighter margins and the reliance on the delivery of savings in order to maintain viability of the plan. Whilst the HRA MTFP is balanced over the medium term it is evident, from experience of the last five years since 'self-financing' was implemented, that the position can change significantly and will need to be kept under review on a regular basis.

8 The Council's Current & Projected Financial Position (Capital)

8.1 The capital outturn for 2016/17 reports a gross General Fund capital spend of £10.256m, with £15.527m of the 2016/17 Programme to be spent in future years. A net underspend of just £49k (0.2%) is reported on completed schemes at the end of the year. Gross spend on HRA capital schemes in 2016/17 was £10.762m, with £9.399m of the 2016/17 Programme to be spent in future years. A minor overspend of £32k has been reported on completed schemes at the end of the year.

8.2 The Council has also approved additional expenditure as part of the 2017/18 Budget, with £13.750m and £9.360m added to the Programmes respectively for the General Fund and HRA.

9 The Council's Current Financial Position (Balance Sheet)

9.1 The financial overview included in the draft Statement of Accounts for 2016/17 includes reference to the Council's Balance Sheet as at 31 March 2017 and concludes that it is robust. Factors giving rise to this assessment include:

- Review of debts owed to the Council;
- An assessment of the Council's net worth;
- The adequacy of risk-assessed provisions for doubtful debts;
- The range of reserves set aside to help manage expenditure
- An adequate risk-assessed General Fund Reserve to meet unforeseen expenditure

9.2 The Council's net assets amounted to £201m and are significantly reduced by the inclusion of the pension scheme liability of £99m. Contributions to the pension scheme have been increasing to meet this liability over the longer term. The current usable reserves balance stands at £46.147m (Usable Capital Receipts £9.339m, Capital Grants Unapplied £2.867m, Earmarked Reserves £28.531m (GF and HRA), General Reserve £2.186m and HRA Reserves £3.224m).

10 The Council's Treasury Arrangements

10.1 The Council maintains cash-flow projections, which are regularly updated to reflect changes to expenditure and income forecasts. As at 30 June the Council has external debt totalling £85.606m, and has investments totalling £31.027m. Of the total investments 65% was held in highly liquid investments with £10.838m invested for longer than 1 year and no investments for longer than 3 years.

11 Governance Arrangements

11.1 The Council has a well-established and robust corporate governance framework.

11.2 The Annual Governance Statement (AGS) has been reviewed taking into account external and internal audit reviews, data from our risk assessments and knowledge of our control environment. The AGS has concluded our governance arrangements are effective, and our Internal Audit annual report has concluded our corporate control arrangements are satisfactory.

12 The External Regulatory and Control Environment

12.1 As a principal local authority the Council has to operate within a highly legislated and controlled environment. An example of this is the requirement for a balanced budget each year combined with the legal requirement for Council to have regard to consideration of such matters as the robustness of budget estimates and the adequacy of reserves. In addition to the legal framework and central government control there are other factors such as the role undertaken by External Audit as

well as the statutory requirement in some cases for compliance with best practice and guidance published by CIPFA and other relevant bodies.

13 Key Risks

NHS claims for Business Rates Discount

13.1 Earlier in the year a number of NHS trusts made applications to their local councils for charitable status regarding business rates relief. The trusts want the relief backdated for up to six years. Taunton Deane has received a claim, which could be material if upheld. We are therefore keeping a watching brief on developments and are utilising counsel support commissioned via the LGA; the legal opinions are currently divided. We are maintaining a contingency via our Business Rates Retention Smoothing, and a successful claim would likely trigger a Safety Net payment from Government.

Transformation and New Council Creation

13.2 Both Taunton Deane and West Somerset Councils have agreed to progress the establishment of a new single district authority. We believe this will bring savings and resilience for both communities. The business case indicates this will have a positive impact on the net costs of for a new authority and our ability to close the budget gap, and at the same time provide the opportunity to continue our ambition to champion development and growth.

Multi Year Finance Settlement and Business Rates Retention

13.3 The Council has taken up the Government's offer of a multi-year Finance Settlement up to 2019/20. This removes some uncertain in respect of general grant funding. However, we have experienced a redistribution of New Homes Bonus funding towards social care which has reduced the grant available to Taunton Deane. In addition there is the prospect of changes to business rates funding, with the potential move to 100% Retention, a "reset" of the Baseline, and the outcome of a Fair Funding Review. The implementation of these may be affected by Brexit and the priorities of the new Government following the 2017 Election.

Commercial Approach and Income Generation

13.4 As the Council explores and implements new commercial opportunities and increases its income as we need to be more self-sufficient, this will bring a different set of risks with greater reliance on investments and other income streams to support spending on services. We need to ensure our risk management approach, covering financial and other risks, reflect the environment within which we will operate in future.

14 S151 Officer Opinion

14.1 It is considered that, having regard to the Council's arrangements and such factors

as are highlighted in this report, the Council remains a “going concern” for the foreseeable future. This assessment will be undertaken annually in the course of preparing the Council’s financial statements for each year.

15 Links to Corporate Aims / Priorities

15.1 Securing an ongoing sustainable financial position is essential to underpin the delivery of council priorities and services to our communities – and links to Theme 4: An Efficient and Modern Council.

16 Finance / Resource Implications

16.1 The financial implications are given in this report.

17 Legal, Environmental Impact, Safeguarding and/or Community Safety, Equality and Diversity, Social Value, Partnership, Health and Wellbeing, Asset Management, and Consultation Implications

17.1 There are no implications in respect of this report.

Contact Officers

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Email	p.fitzgerald@tauntondeane.gov.uk	Email	j.nacey@tauntondeane.gov.uk

AGENDA ITEM NO. 6

Taunton Deane Borough Council

Corporate Governance Committee – 31 July 2017

External Audit 2016/17 – Audit Findings Report

This matter is the responsibility of Executive Councillor J Williams, Leader of the Council

Report Author: Jo Nacey, Financial Services Manager

1 Executive Summary

1.1 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.

1.1 I am pleased to report that following the detailed review of financial statements and our governance and control arrangements, the Auditor has indicated his intention to provide an "unqualified" opinion on our accounts for 2016/17, and an "unqualified VFM conclusion" in respect of arrangements to secure economy, efficiency and effectiveness, in our use of resources i.e. providing value for money.

2 Recommendations

2.1 Members are requested to note the report from our external Auditor on the Council's Statement of Accounts and to support the action plan in the report (agreed by the S151 Officer).

2.2 Members are requested to note the Auditor's unqualified value for money conclusion.

3 Risk Assessment (if appropriate)

Risk Matrix

Description	Likelihood	Impact	Overall
The Statement of Accounts do not provide a true and fair view of the Council's financial position and performance	3	4	12
Arrangements for financial control, accounting and reporting are robust, and Statement of Accounts subject to external audit	1	4	4

3.1 The scoring of the risks identified in the above table has been based on the scoring matrix. Each risk has been assessed and scored both before the mitigation measures have been actioned and after they have.

Risk Scoring Matrix

Likelihood	5	Almost Certain	Low (5)	Medium (10)	High (15)	Very High (20)	Very High (25)
	4	Likely	Low (4)	Medium (8)	Medium (12)	High (16)	Very High (20)
	3	Possible	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Unlikely	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	Rare	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
			1	2	3	4	5
			Negligible	Minor	Moderate	Major	Catastrophic
			Impact				

Likelihood of risk occurring	**Indicator**	**Description (chance of occurrence)**
1. Very Unlikely	May occur in exceptional circumstances	< 10%
2. Slight	Is unlikely to, but could occur at some time	10 – 25%
3. Feasible	Fairly likely to occur at same time	25 – 50%
4. Likely	Likely to occur within the next 1-2 years, or occurs occasionally	50 – 75%
5. Very Likely	Regular occurrence (daily / weekly / monthly)	> 75%

4 Background and Full details of the Report

4.1 The Unaudited Statement of Accounts 2016/17 was signed off by the Council's S151 Officer in May 2017 – within the earlier statutory deadline for 2017/18, and before the start of the external audit review.

4.2 The external audit review has been completed and the auditor has indicated their intention to issue an "unqualified opinion" for the Statement of Accounts, as showing a true and fair view of the Council's financial position and performance.

4.3 The auditor has also reviewed our arrangements to secure economy, efficiency and effectiveness in our use of resources, and provides an opinion in the form of a value for money conclusion. Their report states that "the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources".

5 Links to Corporate Aims / Priorities

5.1 This report links to the Council's aim of achieving financial stability.

6 Finance / Resource Implications

6.1 The audit highlighted a material error in our draft accounts where we had used a 2015/16

index for the calculation of part of the HRA stock. The 2016/17 formula should have been used for this element and the error resulted in a lower valuation for Council Dwellings of some £13.6m. We duly amended this. The amendment had no impact on the outturn of the Council (the “bottom line”) and was confined to the Balance Sheet and associated notes.

6.2 We will ensure that in the coming year we allow more time for checking as we also found a number of trivial errors and incorrect classifications when we undertook our own proof-reading. At this time we also identified a duplicate accrual which is referred to in the Auditor’s Report. With the earlier date for approval in 2018/19 we must be sure we allow enough time to identify errors before the draft accounts are published and before they are presented to the Auditors.

6.3 The External Auditors also highlighted a disclosure error of not identifying the split between funded and unfunded obligations in the Pension Fund notes the accounts. This has also been amended and is presentational only.

6.4 We acknowledge that we had considerable difficulty in obtaining various reports for the Auditors where we were reliant on SWOne to provide the information. The changeover of financial system meant that we did not have access to the payroll and financial system for as long as we would have liked and were reliant on SWOne to provide payroll costing files. We did manage to download all of our transactions in SAP relating to income and expenditure as this was also not forthcoming from SWOne in a timely manner. We will of course not have this issue for the 2017/18 accounts, as our relationship with SWOne is now at an end.

7 Legal Implications

7.1 The Council has a statutory duty to produce financial statements.

8 Environmental Impact Implications

8.1 None.

9 Safeguarding and/or Community Safety Implications

9.1 None

10 Equality and Diversity Implications

10.1 None

11 Social Value Implications

11.1 None

12 Partnership Implications

12.1 None

13 Health and Wellbeing Implications

13.1 None

14 Asset Management Implication

14.1 None

15 Consultation Implications

15.1 None

Democratic Path:

- **Corporate Governance – Yes**
- **Executive – No**
- **Full Council – No**

Reporting Frequency: Annually

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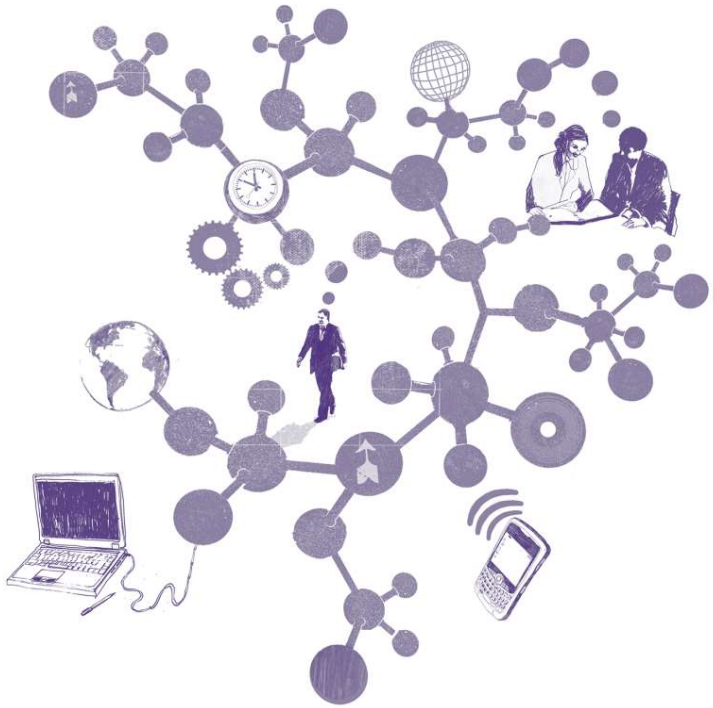
The Audit Findings for Taunton Deane Borough Council

Year ended 31 March 2017

21 July 2017



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21 July 2017

Dear Members of the Corporate Governance Committee

Audit Findings for Taunton Deane Borough Council for the year ending 31 March 2017

This Audit Findings report highlights the key findings arising from the audit that are significant to the responsibility of those charged with governance (in the case of Taunton Deane Borough Council, the Corporate Governance Committee), to oversee the financial reporting process, as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with officers.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland) ('ISA (UK&I)'), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

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 and giving a value for money conclusion. 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.

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

Yours sincerely

Peter Barber

Chartered Accountants
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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

Purpose of this report

This report highlights the key issues affecting the results of Taunton Deane Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2017. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of ISA (UK&I) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure 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 consider other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report, whether it is consistent with the financial statements, apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Council acquired in the course of performing our audit; or otherwise misleading.

We are required to carry out sufficient work to satisfy ourselves on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion'). Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);
- written recommendations which should be considered by the Council and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act).

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 24 February 2017.

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

- completion of testing on employee remuneration
- review of the final version of the financial statements
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion
- Whole of Government Accounts

Key audit and financial reporting issues

Financial statements opinion

We did identify one material adjustment of £13,603k affecting the Council's reported financial position as well as a smaller adjustment instigated by management, that amended the draft £2.103 million deficit recorded in the Comprehensive Income and Expenditure Statement to the final set of statements which records a £15,967 million deficit. Importantly these adjustments do not impact on the reported outturn of £101k reported to Members and therefore has no impact on the setting of the Council Tax base. We have also recommended a number of adjustments to improve the presentation of the financial statements. Further details are set out in section two of this report.

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix B).

Timing and quality of the draft statements and supporting working papers

The draft financial statements and accompanying working papers were presented for audit in accordance with our agreed timetable of the end of May 2017. This is a whole month earlier than last year and a year ahead of the statutory timetable change, effective from 2017/18, when all Local Authority draft accounts will need to be presented for audit by 31 May with the auditors work concluded by 31 July.

Difficulties were encountered in completing our work this year due to problems in obtaining appropriate SAP data reports that reconciled to the financial statements. This resulted in us needing to bring in additional resources to complete the audit and as a result an additional fee will be levied.

We recognise that the Council ended their relationship with Southwest One in December 2016 and bringing these services back in house was going to present a challenge. As part of our planning for 2017/18 we plan to meet with finance officers to discuss the learning points from this year's audit to further improve arrangements going forward.

Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes if the AGS and Narrative Report is misleading or inconsistent with the information of which we are aware from our audit.

Based on our review of the Council's Narrative Report and AGS we are satisfied that they are consistent with the audited financial statements. We are also satisfied that the AGS meets the requirements set out in the CIPFA/SOLACE guidance and that the disclosures included in the Narrative Report are in line with the requirements of the CIPFA Code of Practice.

Controls

Roles and responsibilities

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.

Findings

We draw your attention in particular to control issues identified in relation to:

- Access and removal of users from the IT system
- Quality checks of the financial statements and supporting working papers before submission to Corporate Governance Committee and audit.

Further details are provided within section two of this report.

Value for Money

Based on our review, we are satisfied that, in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

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

Other statutory powers and duties

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

Grant certification

In addition to our responsibilities under the Code, we are required to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. At present our work on this claim is in progress and is not due to be finalised until 30 November 2017. We will report the outcome of this certification work through a separate report to the Corporate Governance Committee.

The way forward

Matters arising from the financial statements audit and our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Assistant Director – Strategic Finance and S151 Officer.

We have made a number of recommendations, which are set out in the action plan at Appendix A. Recommendations have been discussed and agreed with the Assistant Director – Strategic Finance and S151 Officer and the finance team.

Acknowledgement

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
July 2017

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

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of ISA (UK&I) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £1,519k (being 2% of gross revenue expenditure from the 2015/16 financial statements). We have considered whether this level remained appropriate during the course of the audit and upon receipt of the 2016/17 financial statements. We have adjusted our materiality to £1,648k which represents 2% of the reported 2016/17 gross revenue expenditure.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £82k. This compares to the £75k reported in our audit plan.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation	Materiality level
Disclosures of officers' remuneration, salary bandings and exit packages in the notes to the financial statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£10,000
Disclosures of members' allowances	Due to public interest in these disclosures and the statutory requirement for them to be made.	£10,000
Disclosure of auditors' remuneration in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£10,000

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK&I) 320)

Audit findings against significant risks

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
The revenue cycle includes fraudulent transactions Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Taunton Deane Borough Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • The culture and ethical frameworks of local authorities, including Taunton Deane Borough Council, mean that all forms of fraud are seen as unacceptable Therefore do not consider this to be a significant risk for Taunton Deane Borough Council.	Our audit work has not identified any issues in respect of revenue recognition.
Management over-ride of controls Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.	• review of entity controls • review of journal entry process and selection of unusual journal entries for testing back to supporting documentation • review of accounting estimates, judgements and decisions made by management including the review of expenditure recharges to West Somerset District Council • review of unusual significant transactions.	Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal controls and testing of journal entries has not identified any significant issues. We set out later in this section of the report our work and findings on key accounting estimates and judgements.

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either 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 (UK&I) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK&I) 550)

Audit findings against significant risks continued

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
Valuation of property, plant and equipment The Council revalues its assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements.	• Review of management's processes and assumptions for the calculation of the estimate. • Review of the competence, expertise and objectivity of any management experts used. • Review of the instructions issued to valuation experts and the scope of their work • Discussions with the Council's valuer about the basis on which the valuation was carried out, challenging the key assumptions. • Review and challenge of the information used by the valuer to ensure it was robust and consistent with our understanding. • Testing of revaluations made during the year to ensure they were input correctly into the Council's asset register • Evaluation of the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different to current value.	We identified the following issues in relation to property, plant and equipment valuation: - The calculation used for the HRA valuation incorrectly used the 15/16 adjustment formula rather than the 16/17 formula, this means the revaluation attributable is understated by £13,603k. Please see further detail in the adjusted misstatements section - Some changes were required around the disclosures of the valuer assumptions and the 'rolling programme'. The revised accounts reflect these changes and we are now satisfied, based on all our testing, that the carrying value of your assets in your balance sheet, overall, is not materially different from their fair value.
Valuation of pension fund net liability The Council's pension fund net liability, as reflected in its balance sheet ,represents a significant estimate in the financial statements.	• Identifying the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessing whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement. • Review of the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation. • Gaining an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made. • Review of the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from your actuary.	We identified the following issues in relation to the valuation of the pension find liability: - The council relied upon the Somerset County Payroll team to ensure that the figures supplied to the actuary were appropriate. No reconciliation was carried out by the Council to confirm that this was correct or that the payroll figure in the accounts reconciled to the payroll costs used to calculate the pensionable pay figure. We had significant issues obtaining a reconciliation. - The present value of the defined benefit obligation in Note 40 did not detail the split between funded and unfunded obligations. This has now been corrected. The revised accounts reflect these changes and we are now satisfied, based on all our testing, that the pension fund net liability is adequately disclosed in the financial statements.

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
Employee remuneration	Payroll expenditure represents a significant percentage of the Council's gross expenditure. We identified the completeness of payroll expenditure in the financial statements as a risk requiring particular audit attention: • Employee remuneration accruals understated (Remuneration expenses not correct)	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • completed a substantive analytical review of all accruals, including employee remuneration accruals • documented a trend analysis of employee remuneration costs	We have experienced delays in obtaining the appropriate, correctly reconciled employee remuneration information from the SAP system due to the demise of the SW One contract. However, we have been able to determine that there are no indications that the employee remuneration costs were not complete, however as of 21 July 2017 our required testing on the other audit assertions for employee remuneration has not yet been completed.
Operating expenses	Non-pay expenditure represents a significant percentage of the Council's gross expenditure. Management uses judgement to estimate accruals of un-invoiced non-pay costs. We identified the completeness of non- pay expenditure in the financial statements as a risk requiring particular audit attention: • Creditors understated or not recorded in the correct period (Operating expenses understated)	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • Completed a search for unrecorded expenditure from testing a sample of payments post year end, and a sample of invoices recorded post year end • Substantive analytical review of accruals	We did not identify any instances of unrecorded expenditure but we did experience delays in obtaining the appropriate reports to support our audit testing.

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK&I) 315)

Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Southwest One contract termination	The Council ended their relationship with Southwest One from 1 December 2016 and have taken services, such as IT, HR and Accounts payables and receivables, back in house. This could impact on managements ability to produce the financial statements	We have reviewed the arrangements management have in place to manage the contract termination.	We concluded that management have put in place sufficient arrangements to establish and transfer data to new systems, however we have experienced delays in obtaining sufficient working papers in relation to the areas previously covered by SouthWest One for financial information relating to year ended 31 March 2017, such as reconciled payroll and general ledger reports. This has not prevented us completing our audit, but has resulted in additional audit resources being required to complete the work.
Changes to the presentation of local authority financial statements	CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 CIPFA Code of Practice. The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.	We have undertaken the following work in relation to this risk: • documented and evaluated the process for the recording the required financial reporting changes to the 2016/17 financial statements • reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Council's internal reporting structure • reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS) • tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES • tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger • tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements • reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.	We have not identified any material issues in relation to the restatement of the financial statements based on the 'Telling the Story' requirements but we did identify some amendments to the disclosure analysis in the financial statements which management have amended for. Also, we note that management have identified a material prior period error in the calculation of gross operating expenditure and income in 2015/16 comparative. We have reviewed managements workings and are satisfied the error has been correctly amended, however, we have requested further narrative is given in the financial statements to better explain how the error occurred.

Accounting policies, estimates and 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
Revenue recognition	Revenue is accounted for in the year that it is derived, not simply when cash payments are received. In particular, that specific accounting policies for all of the Councils major revenue streams are detailed in accounting policies ii and vi.	We have reviewed the Council's policies for the recognition of revenue and found that: • Appropriate policies had been used and were in accordance with proper practices; and • Accounting policies for the recognition of revenue had been appropriately disclosed	●
Judgements and estimates	Key estimates and judgements include: – Useful life of PPE – Revaluations – Impairments – Valuation of pension fund net liability – Provision for NNDR appeals – Recharges to West Somerset District Council	We have reviewed the accounting areas where the Council has exercised judgement and used significant estimates We found that: • Appropriate policies had been used • Accounting policies had been adequately disclosed • Management had utilised the expertise of experts or third parties to support the calculation of the estimate	●

Assessment

● Marginal accounting policy which could potentially attract attention from regulators ● Accounting policy appropriate but scope for improved disclosure ● Accounting policy appropriate and disclosures sufficient

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Accounting policies, estimates and judgements continued

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Accounting area	Summary of policy	Comments	Assessment
Going concern	The Assistant Director – Strategic Finance and S151 Officer has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Members concur with this view. For this reason, the Council continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Council's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2016/17 financial statements.	●
Other accounting policies		We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice. The Council's accounting policies are appropriate and consistent with previous years.	●

Assessment

● Marginal accounting policy which could potentially attract attention from regulators ● Accounting policy appropriate but scope for improved disclosure ● Accounting policy appropriate and disclosures sufficient

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Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Corporate Governance Committee. 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.
2.	**Matters in relation to related parties**	• From the work we carried out, we have not identified any related party transactions which have not been disclosed.
3.	**Matters in relation to laws and regulations**	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4.	**Written representations**	• A standard letter of representation has been requested from the Council which is appended
5.	**Confirmation requests from third parties**	• We requested from management permission to send confirmation requests to bank, lenders and the counterparties for investments. This permission was granted and the requests were sent. All confirmations have been received.
6.	**Disclosures**	• Our review found no material omissions in the financial statements.

Other communication requirements continued

	Issue	Commentary
7.	**Matters on which we report by exception**	• We are required to report on a number of matters by exception in a number of areas: We have not identified any issues we would be required to report by exception in the following areas • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit • The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Group/Council acquired in the course of performing our audit, or otherwise misleading.
8.	**Specified procedures for Whole of Government Accounts**	• Note that work is not required as the Council does not exceed the threshold.

Internal controls

	Assessment	Issue and risk	Recommendations
1.	●	**Excessive privileges for ICT system management** Most members of IT function have been granted Domain Administrator privileges, including the title ICT & Information Manager. While we understand that in times of change there may be a requirement to allow wider access to administrative functions, this practice should not be the norm. Active Directory allows for 'granulation' of access and privileges can be reduced based on the activities an individual requires for their role and to allow for oversight as management function. This has been raised with the IT lead and discussed and noted that there is no specific review of Domain Administrator activity in place. There is risk that users with elevated permissions can make system changes that are not recorded or reviewed through the normal change management processes. This can cause unintended issues or system outages which could lead to loss of confidentiality, integrity and availability of the systems.	We recommend that: • all users with elevated access permissions are reviewed to ensure that they have enough privileges to perform their job and no more. (This would be inline with recommendations in Issue 2 raised below.) • that the ICT & Information Manager should have Domain Administrator access removed and provide oversight on security logging (see below) • that logging processes are in place to review the activities of those with Domain Administrator privileges and that this is reviewed to ensure that only changes approved and agreed through the change management process are actioned **Management response:** Per the evidence sent as part of this review, no staff have Domain Administrator accounts. ICT staff do require elevated privileges to carry out administrative tasks and these are granted via a lower level account than Domain Admin. Where ever possible, Local Administrator rather than Domain Administrator accounts are used for activities requiring full access to a server or system. Where standard users are granted special privileges in order for them to carry out their job, a log is kept of these.
2	●	**Reconciliations between supporting documentation and the general ledger** While completing the audit we identified a number of account balances in the financial statements that had not been reconciled correctly to the general ledger, including payroll and grant income. We also identified discrepancies in the disclosure of the financial statement notes that were also identified in a subsequent review by the finance team.	We recommend that prior to the submission of the draft financial statements to Corporate Governance Committee and audit, the financial statements are subject to a thorough review by management to ensure adequate reconciliations are completed and errors and delays are mitigated. **Management response:** We acknowledge that there were a number of revisions to be completed before the statements were finalised. We had a number of staffing and workload issues which meant that the overview of the draft accounts was not undertaken adequately before the draft accounts were given to the auditors. We will ensure that next year there will be robust reviews built into the timetable to avoid this recurring.

Assessment
- ● Significant deficiency – risk of significant misstatement
- ● Deficiency – risk of inconsequential misstatement

Internal controls (continued)

	Assessment	Issue and risk	Recommendations
3.	●	**Weak user management processes** There is a clearly defined process to manage user access to the IT systems in place. Account provision for new users, movers and removal of accounts are managed through the service desk and recorded following notification from line management. However, it has been noted that the process for user removal is not applied consistently, specifically for agency or temporary staff removal and discussions with ICT management has identified this as an issue to highlight. It has been noted that a restructuring programme is in place that will entail the merging of two councils and their staff into a single delivery organisation and that user roles will need to be defined to support the new structure. There is a risk that access to information, resources and system functionality may not be restricted to only those that require them and that accounts that are no-longer-needed may be misused by valid system users or ex-employees to circumvent internal security controls. This is particularly relevant during times of change and staff movement.	Management should consider adopting role based access controls (RBAC) initiated through a single responsible function (eg HR) to streamline user management across all systems and identify leavers in a timely manner. The basic principles are set out below: • RBAC identifies the organisation's user establishment and creates roles based on their functional requirements • a role has linked functions and applications that individuals require to be productive in their job • privileges are assigned across the organisation and are fixed for that particular role • changes to a role either create a new role or are applied to all users attached to the existing role • segregation of duties conflicts eg users cannot perform end to end transactions across financial processes should be identified and documented • all users (including temps and agency staff) must be engaged at the same point in the process **Management response:** This will be considered as part of the transformation programme – the implementation of the new technology platform enabling transformation could be the basis for implementing this style of security, and over time other systems may also be migrated as they are either retired, replaced or upgraded. This is a potentially complex undertaking, and in the meantime an approach based on regular reviews of user permissions and access will also be looked at.
4.	●	**Journal posters** We identified as part of our testing of journal entries, two senior finance staff has the access rights in the SAP system to post journals. We did not identify any instances of journals being posted by these staff members	Management should ensure that only appropriate staff can post journals in the new E5 general ledger system. **Management response:** Agreed

Assessment
● Significant deficiency – risk of significant misstatement
● Deficiency – risk of inconsequential misstatement

Adjusted misstatements

A number of adjustments to the draft accounts have been identified during the audit process. We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts 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 in detail below along with the impact on the key statements and the reported net expenditure for the year.

	Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £000
1	The calculation for the revaluation of one group of HRA assets incorrectly used the 15/16 adjustment formula instead of the 16/17 adjustment formula, this led to the revaluation being understated.	Cr Surplus/(Deficit) on Revaluation reserve £13,603k	Dr PPE £13,603k	
2	Management identified a duplicate accrual	Cr Other revenue £251k	Dr Creditors £251k	
	Overall impact	**£13,854k Cr**	**£13,854k Dr**	**£13,854kCr**

Unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. The Corporate Governance Committee is required to approve management's proposed treatment of all items recorded within the table below:

	Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Reason for not adjusting
1	Difference identified between the housing benefit grant income per the general ledger and the grant statements	Cr Grant income £98k	Dr Grant debtor £98k	Estimated amount for production of the accounts – immaterial difference to actual amount
	Overall impact	**£98k**	**£98k**	

Misclassifications and 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	Misclassification	£2,470	Note 40 Pension Asset and Liabilities recognised in the Balance sheet	The pension liabilities note was changed to show the split between present value of defined benefit obligations reducing and unfunded obligations increasing by £2.47m. This was a note only adjustment.
2	Disclosure	n/a	Note 41 Contingent Liabilities	References to the contingent liability relating to Tone Leisure employee pensions needed to be updated to reflect the current transfer to Greenwich Leisure.
3	Disclosure	£2	Note 34 Audit Fees	Fees for grant certification were overstated
4	Disclosure	n/a	Note 15 Plant Property and Equipment	- Updated disclosure on Deane House refurbishment and corresponding capital commitment - Updated narrative to include explanation of the new valuer, the process completed and assumptions applied
5	Disclosure	n/a	Note 2 Prior Period restatement	Updated narrative to detail how the prior period restatement was identified
6	Disclosure	Various	Note 8 and 9	Amendments were made to the 'telling the story' restatement of the CIES as a result of identified amendments and client reanalysis of the trial balance

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

Background

We are required by section 21 of the Local Audit and Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') to satisfy ourselves that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2016. AGN 03 identifies one single criterion for auditors to evaluate:

> *In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.*

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

Risk assessment

We carried out an initial risk assessment in February 2017 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated 24 February 2017.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Significant qualitative aspects

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on page 27.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

The text of our report, which confirms this can be found at Appendix B.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
Medium term financial position, including the implementation of Joint Management and Shared Services (JMASS) and transformation The Council has a balanced financial plan for 2017/18. However, there is a cumulative shortfall of £2 million for the subsequent four years of the plan. In order to achieve financial savings and efficiencies, the Council has a shared services agreement with West Somerset District Council and has completed the implementation and full integration of the staff at both Councils. This has already provided significant financial savings. However, further efficiencies are required, both in terms of utilisation of staff and in the transformation of services. The two Councils have approved a proposal to formally merge into one Council from 2019, which is currently being considered by the Secretary of State.	We reviewed the Council's medium term financial plan, including the assumptions that underpin the plan. We reviewed how the Council is progressing the Joint Management and Shared Services arrangement, with a particular emphasis on the transformation of services, as well as reviewing the progress on the proposal to create a new Council.	We reviewed the medium term financial plan (MTFP) that was presented to the Council in February 2017, and the adequacy of the assumptions used to prepare the MTFP, in particular the planned sources of revenue. We concluded that the assumptions used by management were appropriate for the current circumstances. We noted that the MTFP covers 5 financial years but no assumptions were included in the MTFP in relation to savings expected from the proposed merger of TDBC and WSDC, due to the final decision yet to be made by the Secretary of State. We have reviewed the current progress of the merger of the two councils and note that the consultation has now been completed with a final decision expected from central government later this year - however, the medium term financial position of the Council, as detailed in the MTFP is not predicated on the merger being completed. We also reviewed the achievement of the Council to achieve its 16/17 budget position with a small £101k underspend. **Therefore on this basis, we concluded that the Council has demonstrated sufficient arrangements to secure the medium term financial position of the Council.**
Leaving SW One contract The Council has taken the decision to terminate the SW One contract early. Services, such as IT, HR and Finance, were brought back in house, along with a number of staff from SW One, from 1 December 2016. Other core functions, including the awarding of a general ledger and payroll system have been completed but will need to be implemented appropriately to ensure a smooth transfer of data from existing systems. These are key functions for the Council and the transition will need to be completed well to ensure there is no service disruption to the Council during this time.	We reviewed the Council's arrangements for transferring services and staff from SW One. .	We note from the completed production of the financial statements, that there has been no catastrophic issue in terminating the SW One contract ie staff and creditors have been paid. We have noted some issues in obtaining the correct supporting reconciliations from the SAP system via SW One for areas such as payroll and journals but this has now been provided and have been raised as control weakness in our AFR. As the transfer has now completed these are legacy issues and not expected to be on-going. **On this basis we concluded that the risk had been mitigated and adequate arrangements had been put in place.**

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Any other matters

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

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

We confirm below our final fees charged for the audit and provision of non-audit services.

Fees

	Proposed fee £	Final fee £
Council audit	50,629	tbc
Grant certification	7,793	7,793
Total audit fees (excluding VAT)	**58,422**	**tbc**

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA). The proposed scale audit fees are based on the provision of timely and accurate supporting working papers to auditors. We have had to utilise additional resources in our audit as a result of delays to the provision of supporting system reports and reconciliations and resolution of a number of unreconciled balances. We have therefore submitted a proposed fee variation which has not yet been agreed with PSAA.

Grant certification

Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

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 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.
- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table below summarises all other services which were identified.

Fees for other services

Service	Fees £
Audit related services: • Housing Capital Receipts grant	**2,000**
Non-audit services	**2,000**

The above is a recurring fee and therefore a self-interest threat exists. However, the level of this recurring fee taken on its own is not considered to be a significant threat of independence as the fee is immaterial in comparison to the total audit fee for TDBC and Grant Thornton UK LLP overall. Furthermore, the work relates to audit related services for which there is a fixed fee and no contingent element. These factors are deemed to adequately mitigate the perceived self-interest threat to an acceptable level.

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 to those charged with governance

ISA (UK&I) 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.

This document, The Audit Findings, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, 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 Public Sector Audit Appointments Limited (http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/)

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 at the time of our appointment. 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 NAO (https://www.nao.org.uk/code-audit-practice/about-code/). 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.

Our communication plan	Audit Plan	Audit Findings
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		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report, or emphasis of matter		✓
Unadjusted misstatements and material disclosure omissions		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓

Appendices

A. Management letter of representation

B. Audit Opinion

A. Management letter of representation

Grant Thornton UK LLP
Hartwell House

55-61 Victoria Street

Bristol

BS1 6FT

31 July 2017

Dear Sirs

Taunton Deane Borough Council

Financial Statements for the year ended 31 March 2017

This representation letter is provided in connection with the audit of the financial statements of Taunton Deane Borough Council for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of 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 2016/17 ("the Code") which give a true and fair view in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

vi We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

vii Except as disclosed in the financial statements:

a there are no unrecorded liabilities, actual or contingent

b none of the assets of the Council has been assigned, pledged or mortgaged

c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

x All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.

xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.

A. Management letter of representation continued

xii We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xiii We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are **[either]** immaterial to the results of the Council and its financial position at the year-end **[or]** for the reasons noted on the schedule **[or]** for the reasons noted below :

- **[list other reasons]**

  The financial statements are free of material misstatements, including omissions.

xiv We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xv We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

i. We have provided you with:
   a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
   b. additional information that you have requested from us for the purpose of your audit; and
   c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

ii. We have communicated to you all deficiencies in internal control of which management is aware.

i. All transactions have been recorded in the accounting records and are reflected in the financial statements.

ii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

iii. We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Council involving:
   a. management;
   b. employees who have significant roles in internal control; or
   c. others where the fraud could have a material effect on the financial statements.

iv. We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.

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

vi. We have disclosed to you the identity of all the Council's related parties and all the related party relationships and transactions of which we are aware.

vii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

i. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

A. Management letter of representation

Narrative Report

i. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Corporate Governance Committee at its meeting on 31 July 2017.

Yours faithfully

Name……

Position…….

Date…….

Name……

Position……

Date…….

Signed on behalf of the Council

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

We have audited the financial statements of Taunton Deane Borough Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, Statement of Movement on the HRA Balance, the 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 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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 Assistant Director – Strategic Finance and auditor

As explained more fully in the Statement of Responsibilities, the Assistant Director – Strategic Finance 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 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") 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 Assistant Director – Strategic Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report, and the Annual Governance Statement 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 present a true and fair view of the financial position of the Authority as at 31 March 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report, and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:
in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local

B: Audit opinion continued

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

- Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

We have nothing to report in respect of the above matters.

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

Respective responsibilities of the Authority and auditor

The Authority is responsible for putting in place proper arrangements for securing 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 20(1)(c) of the Act to be satisfied that the Authority has made 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 the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that 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 2017. 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 has put in place proper arrangements for securing 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 issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate
We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Act and the Code of Audit Practice.

[Signature]

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

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AGENDA ITEM NO. 7

Taunton Deane Borough Council

Corporate Governance Committee – 31 July 2017

Approval of the Statement of Accounts 2016/17

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

1 Executive Summary

The Statement of Accounts for 2016/17 is required to be approved by the Corporate Governance Committee and signed by the S151 Officer (Paul Fitzgerald) and the Chair of the Corporate Governance Committee (Councillor Sully). 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 2015 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 S151 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 S151 Officer and the Chair of the Corporate Governance Committee, and published on the Council's website. This requirement will change for the 2017/18 accounts and in anticipation we have worked to the 2017/18 deadlines of 31 May and the Final Accounts signed off by the 31 July.

2.3 The Council's Statement of Accounts has been audited this year by Grant Thornton UK LLP and is 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.

3 Recommendations

Members are recommended to:

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

3.2 Approve the 2016/17 Statement of Accounts as attached to this report; then,

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

4 Statement of Accounts

4.1 The Statement of Accounts for 2016/17 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 2016/17.

4.2 In 2016/17 there was a significant change in the Code of Practice to our accounting requirements which meant that we had to report our income and expenditure in the same format that we produce our management accounts to committee. This also meant that we had to restate our 2015/16 figures in the same format for comparative purposes. The changes are highlighted in note 2 on page 34. This format change does not change the outturn figures ("bottom line") and is presentational only.

4.3 The Statement of Accounts contain four main statements reflecting the position of the Council at 31 March 2017:

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

4.4 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

4.5 This account shows the changes in the Council's financial resources over the year by showing the movement on the reserves held. These are analysed into Usable Reserves (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).

4.6 The total of the Council's Usable Reserves (capital and revenue combined) has increased by £3.776m in year to £46.398m. The largest

movements are seen in the HRA earmarked reserves, £1.951m (principally transfers of £1.835m to the reserves relating to electrical and planned maintenance contract; and £1m to the Social Housing Development Fund. These were partly offset by the use of carryforwards which were approved for 2015/16.

4.7 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 increasing from £2.113m to £2.186m, and HRA balances increasing from £2.675m to £3.244m in year.

Comprehensive Income and Expenditure Statement

4.8 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.

4.9 The Net Cost of Services has increased by £4.567m compared to the previous year's accounts. This mainly reflects the impairment of assets such as St James' Pool which has been decommissioned and the DLO Depot coming into operation. These impairments are reversed in Local Authority accounts so they do not impact on the Council Tax payer. The overall Surplus on the Provision of Services has only decreased by £1.251m to £4.789m due to mitigating increases in income; funding; and a gain on the sale of surplus assets of £2.816m mainly relating to the sale of the DLO Depot.

4.10 The Financial Outturn position for 2016/17 was reported to Corporate Scrutiny in July and will be reported to Executive in August. This included information relating to the Council's financial performance for the 2016/17 financial year. The reports highlighted key variances to the budget and provided explanations for these.

Balance Sheet

4.11 The Balance Sheet provides a snapshot of the Council's financial position as at 31 March 2017 (with comparatives for 31 March 2016).

4.12 The Balance Sheet shows that net assets have increased by £16m in 2016/17, to a balance of £214m as at March 2017. There has been a significant increase of £21m in the pension scheme liability (principally as a result of a change in actuarial assumptions) and increases of £31m in property, plant and equipment (mainly due to revaluation increases in council dwellings and our other buildings).

Cashflow Statement

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

4.14 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.

4.15 During the year the Council's cash and cash equivalents increased by approximately £3.8m. This is a "snapshot" of our cash holdings and reflects a significant increase in our Money Market Funds investments.

Housing Revenue Account

4.16 The Housing Revenue Account (HRA) Income and Expenditure Account shows the economic cost in year of providing housing services.

4.17 The HRA for 2016/17 shows that the net income for the year of £7.032m is very close to the 2015/16 figure of £7.029m. The allowance for bad debts has increased by £54k.

Collection Fund

4.18 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.

4.19 The presentation of the statement clearly separates the Council Tax and Business Rates movements and balances. The statement shows that the Council has collected £101.1m on behalf of ourselves, the precepting authorities and Central Government. This comprises council tax income of £60.5m and business rates income of £40.6m.

4.20 The statement currently shows a surplus of £2.4m (TDBC share = £265k) in respect of Council Tax and a deficit of £494k (TDBC share = £198k) in respect of business rates.

5 Result of the Audit of the Statement of Accounts

5.1 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.

5.2 During the audit there was an amendment to the Council Dwellings revaluation figure of £13.8m which has been reflected in the Accounts and in the Audit findings. We also made other minor amendments during our checking process but these were mainly presentational.

6 Legal Comments

6.1 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 with 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 Council.

6.2 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 by the Accounts and Audit (England) Regulations 2015
- The audit of those accounts undertaken in accordance with the statutory framework established by section 5 of the Local Audit and Accountability Act 2014

7 Links to Corporate Aims

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

8 Environmental Implications

8.1 There are no environmental implications.

9 Community Safety Implications

9.1 There are no community safety implications.

10 Equalities Impact

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

11 Risk Management

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

12 Partnership Implications

12.1 There are no partnership implications.

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Background Papers

Executive – 3 August 2017: Financial Outturn 2016/17

TAUNTON DEANE BOROUGH COUNCIL

STATEMENT OF ACCOUNTS 2016/17

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Narrative Report

STATEMENT BY THE ASSISTANT DIRECTOR – STRATEGIC FINANCE AND S151 OFFICER

This Report 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 2017/18 and beyond.

COUNCIL'S PERFORMANCE

This has been another challenging year of Budget cuts and difficult choices. We have however, continued to deliver the savings from the One Team of officers across Taunton Deane and West Somerset Councils and have found savings through joint working and efficient use of our resources. We have set our 2017/18 budget by choosing savings which will have the least impact on our service delivery. The Council continues to focus on Growth and Development and we have committed funds to support this vision.

The Council publishes corporate performance information, based on a 'basket' of key performance indicators, on the Council Performance page of our website, which is available from this link:

https://www.tauntondeane.gov.uk/council-performance/

Some highlights of how the Council has performed during 2016/17 are shown below:

Blackbrook Pavilion Swimming Pool and Spa complex - construction of a new multi-million pound 25m swimming pool, learner pool and spa was completed and opened in July 2016. The state-of-the-art new swimming pool and spa are fantastic additions to our leisure facilities.

New DLO Depot – in November 2016, the new DLO depot in Chelston Wellington opened. It has been a hugely successful project and has been delivered on time, within budget and is of the highest quality.

Garden Town Status - Taunton was named as one of a new wave of Garden Towns by the Government – firmly rooting the county town's position as a key centre in the South West. The success of the bid recognises the Council's strategy to deliver major regeneration in the town centre, new sustainable communities, improved transport and supporting infrastructure, marrying development with access to green spaces. Development will centre on urban extensions already identified – Monkton Heathfield, Comeytrowe/Trull and Staplegrove.

Land Charges - To highlight their consistently high standard of service delivery, the Land Charges team discovered that their service at TDBC was rated 12th out of 326 councils nationally in the category of "The Best Performing Local Land Charges Department" at the annual Local Land Charges Awards event held in March 17.

Planning - The Planning Policy Team has been shortlisted by Planning magazine for the Planning Team of the Year.

Vivary Park - the jewel in Taunton's crown, has been awarded five stars and a gold award from this year's Britain in Bloom judging.

Hamilton Gault Park - took centre stage at Lords cricket ground in London as the national Charity Fields in Trust celebrated its work across the country, held to recognise "those organisations who have gone the extra mile over the last year to advocate the work of Fields in Trust and to further its mission of ensuring everyone – young or old, able-bodied or disabled and wherever they live – should have access to free, local outdoor space for sport, play and recreation."

The Taunton Park was one of just eight nationally to be showcased, while Taunton Deane Borough Council was one of six local authorities across Britain recognised as one of Fields in Trust's Partners of the Year.

Halcon One Team - TDBC secured a prestigious national award for its role in the ground-breaking Halcon One Team. The awards, run by the national Improvement & Efficiency Social Enterprise (iESE). Halcon One Team is a multi-agency initiative bringing together the Borough Council, Police, Somerset County Council and other partners to make a difference in one of the least well-off areas of Taunton.

Taunton Deane was one of 14 Councils across the country to be shortlisted and gained silver in the Transforming Access to Services category.

Growth Programme

- The Council has appointed a **Marketing and Communications partner** to maximise the opportunities of Garden Town status, i.e. continuing to raise Taunton's profile for business inward investment, as well as increasing awareness locally.

- **Taunton Growth Prospectus** – a refresh of this key document commenced autumn 2016 with extensive review and analysis of data and intelligence, and consultations with key local stakeholders. The process has aligned closely with the refresh of the Somerset Growth Plan, and is now in its final stages with approval to adopt the refreshed document likely to be sought summer 2017.

- **Taunton Town Centre Regeneration projects:**

    - **Firepool** – following a decision to refuse planning permission in Sept 2016 a revised Outline Planning application was re-submitted in April 2017. Two key land purchases were completed in Dec 2016 and March 2017.

    - **Coal Orchard –** Phase 2 was completed during 2016/17, leading to an Outline Planning application being submitted in Sept 2016, and preparation of a funding Business Case to be considered by Executive and Full Council June 2017.

    - **Public Space Improvements project -** the initial phases of this project were completed in 2016/17 which identified, developed and then consulted on a range of options for proposed changes to address issues of traffic volume and circulation in the town centre - to be implemented on a trial basis during 2017/18.

    - **Access, Parking and Signage** – funding was approved in 2016 for electronic signage (VMS), Pay on Foot car parking package, and new fixed (Brown) signage.

- **New Garden Communities (Urban Extensions):**

    - **Monkton Heathfield** - Master planning work started in 2016/17 and initial options identified. A Memorandum of Understanding (MoU) has been signed by all developers for delivery of the Western Relief Road, and detailed design work for this is nearing completion. A new Primary School and Community Hall opened in 2016.

    - **Comeytrowe/Trull and Staplegrove –** Site Allocations (SADMP) was adopted in 2016 for Comeytrowe/Trull.

- **Strategic Employment Site at J25 –** Consultants were appointed in 2016 to prepare a 'Local Development Order' for the site – and good progress has been made throughout 2016/17 towards the LDO and Design Guide. A public launch of the 'Nexus 25' site and brand was held in March 2017 together with the initial informal public consultation of the LDO (which is anticipated to be adopted autumn 2017).

- **Major Transport Infrastructure Schemes:**

    - **Transport Strategy** – consultants were jointly commissioned in 2016 by TDBC and SCC to produce an updated Transport Strategy for Taunton, replacing and updating the existing SCC Transport Strategy. A key stakeholder event was held in March 2017 and a

first draft document has now been prepared – it is anticipated that the final strategy will be presented to Scrutiny for comment summer 2017.

- **M5, Junction 25 improvements (including access to 'Nexus 25' Employment Site) –** full funding for the scheme was secured and SCC prepared and submitted a Planning application

- **Toneway Corridor** – £6.4m Growth Deal funding by the Local Enterprise Partnership (LEP) was secured in early 2017

- **Strategic Flood Solution –** a Collaborative agreement between EA & TDBC was signed in autumn 2016, following which consultants were appointed to progress Phase 2 of the project – preparation of detailed options appraisal and planning, which have progressed well during 2016/17. Options Appraisals expected by December 2017 in advance of a Planning application early 2018.

Resident Satisfaction Survey

For 2016/17 the Council did not carry out its usual annual satisfaction survey. However, as part of the proposed new council consultation exercise, a statistically representative random sample of Taunton Deane residents (aged 18 or over) was polled by telephone by Populus Data Solutions on our behalf.

Part of that survey sought feedback regarding the public perception of satisfaction with the Council. A summary of the results in relation to value for money and the efficient running of the Council are provided below:

69% agreed that the Council is efficient and well run
66% agreed that the Council provides value for money
(Sample size 385)

FINANCIAL PERFORMANCE

Economic Environment

It has been well documented that Local Government has seen major cuts over several years now and 2016/17 saw us with a challenging budget gap to close and the prospect of further cuts to come with some of our grants changed or extinguished completely. We now know that Revenue Support Grant (RSG) will disappear by 2019/20 with a "negative RSG" reduction of £128,000 in our business rates tariff. Overall this will mean our Settlement Funding baseline (including RSG, Rural Services grant and Business Rates Baseline) will have reduced from £5.8m in 2013/14 to £3.0m by 2019/20 – a reduction of 49%.

Housing growth within the Borough has had a positive impact on our funding, with our New Homes Bonus (NHB) Grant reaching its highest to date in excess of £4m. We have prioritised this and future NHB funding to underpin our planned £16m investment in growth, infrastructure and regeneration. We have therefore performed well in obtaining grant through this growth-incentive based funding stream.

The overall funding position and trend does not come as a surprise to us and we have acted prudently to try to protect ourselves from having to make cuts that will impact adversely on the public. We know in some cases this has been unavoidable, but we have taken steps to look at the long-term position and set aside funds for Growth and Economic Development; look at our risk profile and maintain adequate reserves; we use prudent financial provisions to mitigate the effect of business rates appeals and we set aside funds in reserves to ensure the Council can deliver projects which we have laid before Committee and which we believe will add to the experience of living in Taunton Deane, such as the new pool at Blackbrook and the development at Firepool.

Financial Management

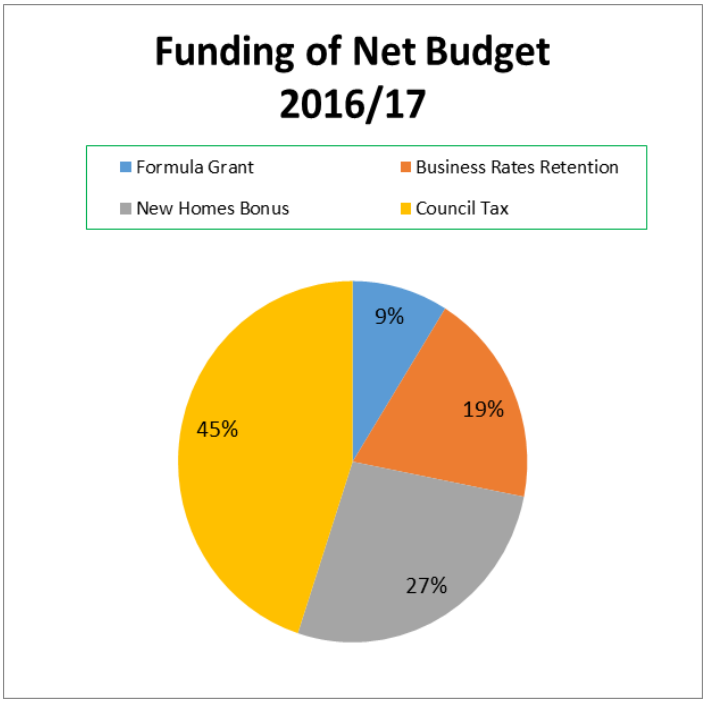
The financial standing of the Council is robust with sound and improving financial management practices. The outturn for the Council results in a transfer to general reserves of £101k.

FINANCIAL OVERVIEW

General Fund Revenue Budget and Reserves

The Council's Net Budget for 2016/17 was £14.396m, representing the net cost of General Fund services funded by grants, business rates and council tax as shown in the following table and graph.

In setting the budget for 2016/17 the Council increased Council Tax by 3.63% (£5 on an equivalent Band D property). This meant that the Band D Council Tax rate became £142.88.



	£k
Formula Grant (RSG and RSDG)	1,280
Retained business rates	2,959
Business rates Collection Fund deficit	(192)
New Homes Bonus	3,883
Council Tax Collection Fund surplus	131
Council Tax income	6,335
Net Budget	14,396

The Council's actual net expenditure in 2016/17 was £14.979m which results in a reported net underspend of £101k (0.8% of Net Budget). The net underspend arose due to variances in several budget areas. The most significant underspends have been reported against Benefits, Council Tax, Interest income, Cemetery and Crematorium, and Environmental Health. These together with other smaller underspends have enabled the Council to offset budget overspends/shortfalls in arriving at the net position. The following table provides a summary of the financial results for the year compared to budget.

General Fund Outturn 2016/17	Budget £k	Actual £k	Variance £k	Variance %
Community Leadership	501	509	8	1.6
Corporate Resources	1,534	2,814	1,280	83.4
Economic Development	1,032	1,702	670	64.9
Environmental Services	4,609	4,486	(123)	-2.7
General Services	1,278	783	(495)	-38.7
Housing Services	2,676	2,835	159	5.9
Planning, Transportation and Comms	(2,145)	(1,787)	358	16.7
Sports, Parks and Leisure	3,326	4,801	1,475	44.3
Trading Units	16	12	(4)	-25.0
Interest and Other income	(364)	(498)	(134)	-36.8
Parish Precepts & Special Expenses	717	717	0	
Capital Financing from GF Revenue (RCCO)	564	3,289	2,725	
Repayments of Capital Borrowing (MRP)	180	180	0	
Transfers to Collection Fund Adjustment	0	652	652	
Transfers to Capital Adjustment Account	(3,086)	(6,409)	(3,323)	
Transfers to/(from) Earmarked Reserves	3,583	1,109	(2,474)	
Transfers to Financial Instrument Adjustment Account	0	(82)	(82)	
Transfer to General Reserves	(25)	(25)	0	
Transfers to/(from) Pension Reserve	0	142	142	
Net Budget	**14,396**	**15,230**	**834**	**5.9**
Funding	(14,396)	(15,331)	(935)	-6.5
Net Under(-)/Overspend for the year	**0**	**(101)**	**(101)**	**-0.6**

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

The General Fund Reserves have increased from £2.113m at the start of the year to £2.186m at 31 March 2017, this is £586k above the recommended minimum balance of £1.600m and provides some mitigation for emerging risks.

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 2017 stands at £17.344m. This balance covers a wide variety of known planned spending commitments, including: Business Rates funding deficit; New Homes Bonus Growth Reserve; Creating a New Council and SWOne Succession Planning with several other smaller commitments which we have prudently put aside.

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 £21.018m (£18.634m in 2015/16). Capital spending comprises £10.256m on General Fund schemes and £10.762m on HRA capital works, as summarised in the table below. The General Fund capital spending related to a wide range of projects which included costs for the new swimming pool and spa at Blackbrook, the DLO Depot relocation, disabled facilities grants, area regeneration schemes, and many other smaller projects. HRA capital works are largely related to maintaining housing standards, including replacing kitchens, bathrooms, windows, doors, heating systems and other related works. Investment in social housing development has seen £1.479m spent on schemes in Taunton and Wellington.

General Fund Capital Schemes	£k	HRA Capital Schemes	£k
Blackbrook Pool	1,931	Heating Systems	4,902
SWP Loan	1,567	Kitchens and Bathrooms	1,781
Housing Enabling and Housing Standards	1,219	Doors and Windows	518
Play Equipment and Sports Facilities	614	Accessibility Aids and Adaptations	386
DLO Vehicles, Plant and Equipment	156	Door Entry Systems	274
DLO Depot Relocation	2,455	Asbestos Works	345
Youth Projects	311	Development of Additional Dwellings	1,479
Regeneration Schemes	1,160	Fascias, Soffits and Fire Safety	845
Community Grants	141	Other schemes	232
Car Parks	135		
ICT Equipment	417		
Waste Containers	93		
Other schemes	57		
Total	**10,256**	**Total**	**10,762**

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

Sources of Capital Funding	£k
Revenue Funding	4,082
Capital Grants and Contributions	1,269
Capital Receipts	4,711
Borrowing	2,415
Major Repairs Reserve (HRA)	8,541
Total	**21,018**

The General Fund Capital Programme has committed approved capital spending in future years of £23.456m. The HRA Capital Programme has committed approved capital spending into future years of £18.727m.

Overall the Council has sufficient resources available to meet its current approved capital programme 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 current approved capital programme. The Council currently holds £23.274m of capital reserves, providing funding for the approved capital spending referred to above. The Council has also approved borrowing of £15.663m to fund approved schemes.

Balance Sheet

Below is an extract from our Balance Sheet showing the position at year end and the comparison with the position last year:-

	31 March 2016	31 March 2017
	£k	£k
Non-current assets	355,914	388,896
Net current assets – debtors, stock and cash less short term creditors and liabilities	10,492	10,558
Long term liabilities and provisions	(167,995)	(185,086)
Net assets	**198,411**	**214,368**
Represented by: Usable reserves	42,622	46,398
Represented by: Unusable reserves	155,789	167,970
Total Reserves	**198,411**	**214,368**

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 £26,769k for the year. The HRA has reported a net surplus of £881k for 2016/17, which is 3% of gross income. The surplus is retained within the HRA, and relates mainly to one-off items including lower than budgeted rent loss through voids, lower interest payments and higher investment income due to higher cash balances. The following table provides a summary of performance against budget for the year.

HRA Outturn 2016/17	Budget	Outturn	Variance	
	£k	£k	£k	%
Gross Income	(26,769)	(27,117)	(348)	1%
Service Expenditure	14,233	14,046	(187)	1%
Other Operating Costs and Income	3,937	3,628	(309)	(8%)
Earmarked Reserve Transfers	(333)	(333)	0	0%
Capital Financing and Debt Repayment	8,708	8,671	(37)	0%
Technical Accounting Adjustments	224	224	0	0%
Net Variance	**0**	**(881)**	**(881)**	**3%**

The Housing Revenue Account Reserve has increased from £2.675m at the start of the year to £3.224m at 31 March 2017. The year end balance is still well above the minimum level set within the Council's financial strategy of £1.8m, providing some resilience for financial and service risks and opportunities.

The HRA Earmarked Reserve balance at 31 March 2017 is £6.847m, an increase of £1.952m in the year. The reserves are committed in a number of areas including: Social Housing Development Fund £1.290m to support new build and acquisition of additional homes; planned maintenance contracts re-programmed to start in 2017/18 £3.117m; provision for future non-payment of rent and charges due to welfare reform £433k, and a range of other smaller reserves.

Treasury Management

Total cash and cash equivalents plus short term investments at 31 March 2017 were £25.205m. The main factors that would affect cash in the future are:

- Acquisition and disposals relating to the capital programme;
- The value of reserve balances;
- Appeals provisions;
- Grants and contributions unapplied.

	31 March 2016	**31 March 2017**
	£k	**£k**
Cash and other cash equivalents	16,378	20,189
Short term investments	10,015	5,016
Total	**26,393**	**25,205**

Pensions

The Council's share of the overall Pension Fund deficit increased from £78.4m at 31 March 2016 to £99.5m at 31 March 2017. The deficit has increased by 27%, which is largely due to a change in the financial valuation assumptions by the actuaries.

Following the actuarial valuation in 2016 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. In 2016/17 this lump sum was £1.220m rising to £1.898m in 2017/18.

ENVIRONMENTAL

Local authorities in Somerset have been working together to develop waste services since 1992 through a joint forum called Somerset Waste Partnership. In October 2007 this co-operation was taken a major step further when Somerset became the first county-wide area to combine waste service functions under a single joint committee of Councillors (Somerset Waste Board) from all Somerset local authorities.

Somerset Waste Partnership jointly manages and plans waste collection, recycling and disposal services for almost 250,000 Somerset homes, aiming to increase recycling and reduce the amount of waste going to landfill.

From the latest published performance information published by the Somerset Waste Board (June 2017) key headlines are:

Taunton Deane recycling centre recovery rates = 76.5% (359,409 visits were made to the two recycling centres in Taunton Deane).

Taunton Deane household recycling = 353 kilograms per household

Taunton Deane household waste (inc. recycling) = 731 kilograms per household

FINANCIAL CHALLENGES IN 2017/18

For 2017/18, the Council had to address a budget gap in the region of £0.5m. This has resulted primarily from the reduction in Revenue Support Grant; inflation rate increases and the significant increase in both the pension lump sum we pay each year and the employer's contribution which has also increased following the actuaries' valuation and their change in assumptions.

As part of the Final Settlement details, Central Government again gave all district councils the power to raise Council Tax by £5 for a Band D property without the need for a referendum. Taunton Deane took this option which raised £88k towards the budget gap.

2017/18 also sees the implementation of the Apprenticeship Levy which encourages employers to create more apprenticeship roles. We have to pay the levy across to Central Government. This amounts to £55k for the Taunton Deane Borough Council but it gives us access to a pot which reflects that amount plus a 10% "top-up" from Central Government to pay for accredited training for new apprentices.

We have also seen our Revenue Support Grant (RSG) halved from the previous year, just £645k for 2017/18. 2018/19 will be the last year we receive RSG.

In March 2016, the Secretary of State set out a number of conditions related to an offer to agree to a 4-year settlement. Authorities needed to complete an Efficiency Plan to be submitted with any submission to take up the offer of the 4-year settlement. We agreed to the settlement and provided an Efficiency Plan to give some certainty to the following funding streams.

- Revenue Support Grant
- Rural Services Delivery Grant
- Transitional Grant

Following a consultation we replied to last year there have been some changes to New Homes Bonus. The consultation proposed a reduction in the number of year's grant we receive, falling from 6 to 4 years or possibly more. In the Final Settlement we learnt that we would receive only 5 years grant and then this would be reduced to four years from 2018/19. This lost us in the region of £576k towards our Growth ambitions but we had anticipated it. A further blow was the implementation of a growth levy which we had not expected which top-sliced 0.4% (£235k) from our new Homes Bonus growth figure.

Another pressure emerged during the 2017/18 Budget Setting round. We received the results of the triennial valuation of our Local Government Pension Scheme (LGPS). The lump sum required for

2017/18 meant an additional £509k for the General Fund and £169k for the HRA along with an increase in the Employers' contribution from 13.5% to 15.4% adding an additional £161k for the General Fund and £90k for the HRA. The lump sum is due to increase each year thereafter reaching £2.117m for the General Fund and HRA by 2021/22, which is a risk for budget setting. We have included these increases in our Medium Term Financial Plan. This significant change was due for the most part on changes to actuaries' assumptions, with them taking a more cautious stance.

In order to be able to close the budget gap going forward our transformation project is pivotal. Only with a new approach to service provision will we be able to close the gap and continue to provide services which meet the needs of our community. We continue to work on these transformational changes to bring on-going savings.

PRINCIPAL RISKS AND UNCERTAINTIES

A risk management strategy is in place to identify and evaluate risks. There are clearly defined steps to support better decision making through the understanding of risks, whether a positive opportunity or a threat and the likely impact. We also use our risk register as a tool to help demonstrate and calculate our minimum acceptable level of reserves.

Risks are managed at all levels within the Council. The most serious and/or cross-cutting strategic risks are escalated to the Corporate Risk Register. The Corporate Risk Register is subject to regular review by the Joint Management Team and the risks regularly reported to the Council's Corporate Governance Committee. Each risk has an owner and is supported by actions designed to reduce uncertainty and the Council's exposure to risk.

The key areas of corporate risk at March 2017, centred on:

- Financial uncertainty / budgetary pressures
- Asset Management – regulatory compliance
- The Growth Programme - delivering the ambitions and realising the outcomes & benefits as defined in the Taunton Growth Prospectus and Taunton Rethink.
- Impact of welfare reform – impact on our residents and our rental income
- Business continuity – preparedness for disaster / major incident
- Non-compliance with national law or policy
- Delivering services with a reduced staffing capacity

WHAT'S NEXT?

Transformation programme

Proposed New Council – during the summer TDBC and West Somerset councillors considered a high level business case which contained three options for change. Both councils chose the option to transform the ways in which the councils deliver services and to pursue the creation of a single new district council for the combined communities of Taunton Deane and West Somerset. A public consultation exercise took place between December 2016 and February 2017 on the proposal and a business case was submitted to the Secretary of State for Communities and Local Government in March 2017.

The Secretary of State will now consider the submission, which is based on the business case presented to councillors in the summer, and includes feedback received during the consultation period. We now await the Secretary of State's decision which we expect later in 2017.

In the meantime we are preparing the groundwork to ensure we are ready to move forward if the decision is made to create a new council.

New Finance System and HR Payroll System – During 2016/17 we began preparing for the implementation of a new Finance System and HR Payroll system which would take us forward after we

exited the Southwest One contract for back office services. The new systems came on-line from 1 April 2017 and we are working hard to deliver business as usual (BAU) with our new systems.

Deane House Refurbishment – Following the decision taken at Full Council to fully renovate Deane House the work has begun to make the building fit for purpose at the same time updating it and reconfiguring the areas used by Taunton Deane staff to allow bespoke areas to be rented out to partners and outside bodies, thus making our asset work for us, delivering new income streams and providing a central hub for the local population.

Commercialism - The Deane House project is part of a theme of works looking at making our assets work harder and maximising our income streams. We see commercialism as a key element to funding our services in the future as Central Government funding wains and service pressures increase.

100% Business Rates Retention – In July 2016 Central Government issued a consultation document requesting views from local government on the implementation of the Government's commitment to allow local government to retain 100% of the Business Rates that they raise locally. Central Government is committed to this change and although at first sight it appears a "good deal" for local government we are mindful that this increase in funds will be accompanied by an increase in responsibilities. Overall, Central Government is expecting this to be self-funding so we are prudent in our assumptions and have not anticipated further income which is not offset by further expense.

Some authorities are "pilots" for the new scheme and we will learn more following the close of the current consultation about the details of the new responsibilities and how the relationship between upper and lower tier authorities will work.

Within the consultation is a proposal to centralise the appeals risk and we hope this will mitigate some of the volatility in Business Rates Appeals. We await the details of this alongside the results of the Fair Funding Review which allocates funds to councils.

EXPLANATION OF ACCOUNTING STATEMENTS

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

- The **Comprehensive Income and Expenditure Statement** (page 16) brings together details of the Council's day-to-day revenue spending and income on its services, and other gains and losses in the year.
- The **Movement in Reserves Statement** (pages 17) 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 **Balance Sheet** (page 18) 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 19) summarises the flows of cash into and out of the Council during the year.
- The **Notes to the Financial Statements** (pages 20 to 79) provide supplementary information on some of the figures contained within the primary statements. They also include accounting policies, which guide the treatment of income and expenditure, and disclosures relating to the assets and liabilities of the Council.

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

FURTHER INFORMATION

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

P Fitzgerald ACMA CGMA, Section 151 Officer, The Deane House, Belvedere Road, Taunton, TA1 1HE
Telephoning: (01823) 356310
E-mail to: p.fitzgerald@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 Assistant Director – Strategic Finance.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Assistant Director – Strategic Finance is required to:

The Assistant Director – Strategic Finance 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 Assistant Director – Strategic Finance 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 Assistant Director – Strategic Finance 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 2017 and its income and expenditure for the year ended 31 March 2017.

P Fitzgerald ACMA, CGMA
Assistant Director – Strategic Finance
Section 151 Officer

31 May 2017

Approval of the Accounts

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

Chair of Corporate Governance Committee

Independent Auditor's Report to the Members of Taunton Deane Borough Council

The independent auditor's report will appear here, following completion of the audit, for the final audited accounts due to be approved by the Corporate Governance Committee

Independent Auditor's Report to the Members of Taunton Deane Borough Council (continued)

Independent Auditor's Report to the Members of Taunton Deane Borough Council (continued)

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.

2015/16 (Restated)					2016/17		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
660	(13)	647	Community Leadership		690	(16)	674
37,470	(36,052)	1,418	Corporate Resources		38,462	(34,671)	3,791
3,136	(558)	2,578	Economic Development, Asset Management and the Arts		3,355	(544)	2,811
6,887	(2,380)	4,507	Environmental Services		7,000	(2,645)	4,355
1,085	(1)	1,084	General Services		820	(83)	737
20,512	(27,541)	(7,029)	Housing Revenue Account		20,531	(27,563)	(7,032)
1,917	(348)	1,569	Housing Services (General Fund only)		3,008	(318)	2,690
3,063	(4,967)	(1,904)	Planning, Transportations and Communications		3,393	(5,742)	(2,349)
3,492	(597)	2,895	Sports, Parks and Leisure		5,132	(477)	4,655
78,222	**(72,457)**	**5,765**	**Cost of Services**		**82,391**	**(72,059)**	**10,332**
		388	Other Operating Expenditure	**12**			(1,704)
		4,771	Financing and Investment Income and Expenditure	**13**			4,222
		(16,964)	Taxation and Non-Specific Grant Income	**14**			(17,639)
		(6,040)	**(Surplus) or Deficit on Provision of Services**				**(4,789)**
		(11,707)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets				(29,345)
		(33)	Surplus or deficit on revaluation of available for sale financial assets				(87)
		(18,021)	Remeasurement of the net defined benefit liability				18,264
		(29,761)	**Other Comprehensive Income and Expenditure**				**(11,168)**
		(35,801)	**Total Comprehensive Income and Expenditure**				**(15,957)**

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	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
2016/17								
Balance at 31 March 2016	**(19,021)**	**(7,569)**	**(8,275)**	**(6,176)**	**(1,581)**	**(42,622)**	**(155,789)**	**(198,411)**
Movement in Reserves during 2016/17								
Total Comprehensive Income and Expenditure	662	(5,451)	0	0	0	**(4,789)**	(11,168)	**(15,957)**
Adjustments between accounting basis and funding basis under regulations (note 10)	(1,171)	2,949	(1,064)	1,585	(1,286)	**1,013**	(1,013)	**0**
Increase/(Decrease) in 2016/17	**(509)**	**(2,502)**	**(1,064)**	**1,585**	**(1,286)**	**(3,776)**	**(12,181)**	**(15,957)**
Balance at 31 March 2017	**(19,530)**	**(10,071)**	**(9,339)**	**(4,591)**	**(2,867)**	**(46,398)**	**(167,970)**	**(214,368)**
2015/16								
Balance at 31 March 2015	**(17,379)**	**(5,705)**	**(6,724)**	**(5,064)**	**(700)**	**(35,572)**	**(127,038)**	**(162,610)**
Movement in Reserves during 2015/16 (Restated)								
Total Comprehensive Income and Expenditure	(949)	(5,091)	0	0	0	**(6,040)**	**(29,761)**	**(35,801)**
Adjustments between accounting basis and funding basis under regulations (Note 10)	(545)	3,079	(1,551)	(1,112)	(881)	**(1,010)**	1,010	**0**
Other movements*	(148)	148	0	0	0	**0**	**0**	**0**
Increase/(Decrease) in 2015/16	**(1,642)**	**(1,864)**	**(1,551)**	**(1,112)**	**(881)**	**(7,050)**	**(28,751)**	**(35,801)**
Balance at 31 March 2016	**(19,021)**	**(7,569)**	**(8,275)**	**(6,176)**	**(1,581)**	**(42,622)**	**(155,789)**	**(198,411)**

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

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 Council (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 Council 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 2016 £000		Notes	31 March 2017 £000
229,031	Council Dwellings		247,284
78,849	Other Land and Buildings		96,917
5,748	Vehicles, Plant and Equipment		5,466
10,778	Infrastructure Assets		10,676
7,080	Community Assets		7,080
7,686	Assets Under Construction		3,215
339,172	**Total Property, Plant and Equipment**		**370,638**
141	Heritage Assets		141
3,808	Investment Property	**16**	4,303
641	Intangible Assets		752
11,078	Long-term Investments	**17**	10,838
1,074	Long-term Debtors	**18**	2,224
355,914	**Long Term Assets**		**388,896**
204	Currently Held for sale Investment Property	**16**	0
10,015	Short Term Investments	**17**	5,016
698	Assets Held for Sale	**20**	1,133
160	Inventories		139
9,520	Short Term Debtors	**18**	5,456
16,378	Cash and Cash Equivalents	**19**	20,189
36,975	**Current Assets**		**31,933**
(2,698)	Short Term Borrowing	**17**	(4,000)
(21,705)	Short Term Creditors	**21**	(16,325)
(2,080)	Provisions	**22**	(1,050)
(26,483)	**Current Liabilities**		**(21,375)**
(89,607)	Long Term Borrowing	**17**	(85,606)
(78,388)	Other Long Term Liabilities	**37**	(99,480)
(167,995)	**Long Term Liabilities**		**(185,086)**
198,411	**Net Assets**		**214,368**
42,622	Usable Reserves	**23**	46,398
155,789	Unusable reserves	**24**	167,970
198,411	**Total Reserves**		**214,368**

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 Council 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.

2015/16 £000		Notes	2016/17 £000
6,036	**Net surplus or (deficit) on the provision of services**		**4,789**
16,275	Adjustments to net surplus or deficit on the provision of services for non cash movements	**25**	14,961
(2,712)	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities	**25**	(6,470)
19,599	**Net cash flows from Operating Activities**		**13,280**
(26,901)	Investing Activities	**26**	(6,771)
0	Financing Activities	**27**	(2,698)
(7,302)	**Net increase or decrease in cash and cash equivalents**		**3,811**
23,680	Cash and cash equivalents at the beginning of the reporting period	**19**	16,378
16,378	**Cash and cash equivalents at the end of the reporting period**	**19**	**20,189**

Notes to the Core Financial Statements

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

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end on 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, 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 2016/17 ('the Code'), supported by International Financial Reporting Standards (IFRS).

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

These accounts have been prepared on a going concern basis which means that the functions of the Council will continue in operational existence for the foreseeable future.

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. Note 2 on page 34 provides details of the prior period adjustment for 2016/17.

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 and 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.

The Council's adopted Minimum Revenue Provision (MRP) Policy is the Equal Instalment Method whereby MRP is linked to weighted asset life. This is considered to be a prudent approach as it takes into account the materiality of each asset and its remaining useful life.

vi. Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (ie the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference

between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

vii. 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 then 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 appropriate service segment or, where applicable, to a corporate service segment. 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 Pensions 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 while working 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 2.8% (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 Statement to the services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services line in the Comprehensive Income and Expenditure Statement
- 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 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.

viii. Events After The Balance Sheet Date

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

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

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

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

ix. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the 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 Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund balance to be spread over future years. The 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 receivable 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.

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

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

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

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

x. Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset 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.

xi. 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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. 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.

xii. 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

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

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.

xiii. Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

xiv. 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 minimis 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 – current value, determined using the existing use value for social housing (EUV-SH)
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current 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 - the Major Repairs Allowance is used as a reasonable estimate for depreciation
- Other buildings – straight-line allocation over the life of the property as estimated by the valuer
- Vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- Infrastructure – straight-line allocation over 50 years (or the life of the asset if less).

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

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 capital 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.

xv. 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.

xvi. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance or Housing Revenue Account balance. 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 transferred

back into the General Fund balance or Housing Revenue Account balance 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, local taxation, and retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

xvii. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset 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.

xviii. 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.

xix. Fair Value Measurement

The Council measures some of its non-financial assets such as investment properties and some of its financial instruments such as Money Market Funds at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or

b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

- Level 3 – unobservable inputs for the asset or liability.

2. Prior Period Restatement

Comprehensive Income and Expenditure Statement

Expenditure on services and income relating to or derived from those services is classified in the Comprehensive Income and Expenditure Statement in accordance with the CIPFA Code of Local Authority Accounting in the UK. The 2016/17 Code requires that authorities present expenditure and income on services on the basis of its reportable segments. These reportable segments are based on the authority's internal management reporting structure. This is a change from the previous requirement to present expenditure and income in accordance with the Service Expenditure Code of Practice (SeRCOP). This note shows how the net expenditure and income has been restated.

SeRCOP Service line	As reported in the Comprehensive Income and Expenditure Statement 2015/16 £000	Adjustments between SeRCOP classifications and internal reporting classifications £000	As restated 2015/16 £000	Portfolio
Net Expenditure				
Central Services to the Public	(17)	17	0	
	0	647	647	Community Leadership
	0	1,418	1,418	Corporate Resources
Cultural and Related Services	3,545	(3,545)	0	
	0	2,578	2,578	Economic Development, Asset Management and the Arts
Environmental and Regulatory Services	4,897	(390)	4,507	Environmental Services
	0	1,084	1,084	General Services
Highways and Transport Services	(2,791)	2,791	0	
Local Authority Housing (HRA)	(7,029)	0	(7,029)	Housing Revenue Account
Other Housing Services	1,377	192	1,569	Housing Services (General Fund only)
Planning Services	2,575	(2,575)	0	
	0	(1,904)	(1,904)	Planning, Transportations and Communications
	0	2,895	2,895	Sports, Parks and Leisure
Corporate and Democratic Core	3,059	(3,059)	0	
Non Distributed Costs	149	(149)	0	
Cost of Services	**5,765**	**0**	**5,765**	
Gross Expenditure				
Central Services to the Public	1,062	(1,062)	0	
	0	660	660	Community Leadership
	0	37,470	37,470	Corporate Resources
Cultural and Related Services	4,168	(4,168)	0	
	0	3,136	3,136	Economic Development, Asset Management and the Arts
Environmental and Regulatory Services	7,242	(355)	6,887	Environmental Services
	0	1,085	1,085	General Services
Highways and Transport Services	1,273	(1,273)	0	
Local Authority Housing (HRA)	20,332	180	20,512	Housing Revenue Account
Other Housing Services	33,693	(31,776)	1,917	Housing Services (General Fund only)
Planning Services	3,628	(3,628)	0	
	0	3,063	3,063	Planning, Transportations and Communications
	0	3,492	3,492	Sports, Parks and Leisure
Corporate and Democratic Core	4,912	(4,912)	0	
Non Distributed Costs	149	(149)	0	
Cost of Services	**76,459**	**1,763**	**78,222**	
Gross Income				
Central Services to the Public	(1,079)	1,079	0	
	0	(13)	(13)	Community Leadership
	0	(36,052)	(36,052)	Corporate Resources
Cultural and Related Services	(623)	623	0	
	0	(558)	(558)	Economic Development, Asset Management and the Arts
Environmental and Regulatory Services	(2,345)	(35)	(2,380)	Environmental Services
	0	(1)	(1)	General Services
Highways and Transport Services	(4,064)	4,064	0	
Local Authority Housing (HRA)	(27,361)	(180)	(27,541)	Housing Revenue Account
Other Housing Services	(32,316)	31,968	(348)	Housing Services (General Fund only)
Planning Services	(1,053)	1,053	0	
	0	(4,967)	(4,967)	Planning, Transportations and Communications
	0	(597)	(597)	Sports, Parks and Leisure
Corporate and Democratic Core	(1,853)	1,853	0	
Non Distributed Costs	0	0	0	
Cost of Services	**(70,694)**	**(1,763)**	**(72,457)**	

Note: When reviewing the analysis of income and expenditure codes that feed into the CIES under the new reporting structure, a number of income and expenditure codes that had been incorrectly coded in the 2015/16 comparatives were identified. This miscoding of the 2015/16 comparatives, which has resulted in an increase to gross expenditure and income of £1,763k but has no effect on net expenditure, has now been corrected.

Movement in Reserves Statement

The CIPFA Code of Local Authority Accounting in the UK 2016/17 requires the total General Fund Balance and total Housing Revenue Account Balance to be presented. In the past, it was recommended that Earmarked General Fund Reserves and Earmarked Housing Revenue Account Reserves be separately presented. The 2015/16 Movement in Reserves Statement has been restated for this change.

	General Fund Balance as previously stated	General Fund Earmarked Reserves as previously stated	General Fund Balance Restated	Housing Revenue Account as previously stated	Housing Revenue Account Earmarked Reserves as previously stated	Housing Revenue Account Balance restated
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2015	**(2,114)**	**(15,265)**	**(17,379)**	**(3,483)**	**(2,222)**	**(5,705)**
Movement in Reserves during 2015/16						
(Surplus) or Deficit on the provision of services	(949)	0	(949)	(5,091)	0	(5,091)
Total Comprehensive Income and Expenditure	**(949)**	**0**	**(949)**	**(5,091)**	**0**	**(5,091)**
Adjustments between accounting basis and funding basis under regulations	(545)	0	(545)	3,079	0	3,079
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(1,494)**	**0**	**(1,494)**	**(2,012)**	**0**	**(2,012)**
Transfers to/(from) Earmarked Reserves	1,643	(1,643)	0	2,673	(2,673)	0
Other movements*	(148)	0	(148)	148	0	148
Increase / (Decrease) in 2015/16	**1**	**(1,643)**	**(1,642)**	**809**	**(2,673)**	**(1,864)**
Balance at 31 March 2016	**(2,113)**	**(16,908)**	**(19,021)**	**(2,674)**	**(4,895)**	**(7,569)**

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

The only accounting standards which will be introduced in the 2017/18 Code relate to Pension Scheme accounts so there are no new standards to be adopted by this Council.

4. 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 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.

- A Business Rates provision has been made in the accounts for £0.934m. 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.

5. 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 2017 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)	PPE assets are depreciated over useful lives that are chosen based on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. If the working lives change significantly as a result of the Council's review of its services then those useful lives may lengthen or shorten.	Depreciation is calculated to spread the cost of an asset over its estimated working life. If the working life is reduced, depreciation goes up and carrying-value goes down; if the working life is extended, depreciation goes down and so carrying value goes up. For example, with vehicles costing approximately £1.4 million and an average working life of around five years, extending the life by 1 year would reduce annual depreciation by £47k.
	The carrying values of assets such as council houses depend very much on outside factors; for example, the significant revaluation in 2016/17 is 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. The discount factor for the south-west in 2015/16 was 31%; in 2016/17 it is 35%.	With council housing having a balance-sheet value of around £247m, each 1% change in the social housing discount factor moves the valuation up or down by £2.5m while having no effect on the actual housing stock itself.

Item	Significant Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimates of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The Council works in partnership with other local authorities to engage a firm of consulting actuaries to provide expert advice about the assumptions to be applied, and reviews those assumptions in discussion with its partner Councils. Part of the annual accounts process is to review previous assumptions and test them against what actually happened, to provide further data for future assumptions.	The effects on the net pension liability of many changes in individual assumptions can be measured. For example, if the discount rate were to change by plus or minus 0.1% from its assumed 2.8%, then the projected service cost would be between £5.198m to £5.468m. A similar change of 1 year in the mortality age range assumption means the projected service cost could be from £5.166m to £5.501m.
	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 pension 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 have 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 2017 the Council had a balance of Council Tax debtors of £4.8m, an increase of £0.8m over the previous year; this level of debtor is to be expected when collecting Council Tax of around £62m each year. The Council has made an impairment provision within the collection fund of £2.5m 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 nearly £62m this year from approximately 49,000 households, a 0.1% change in the collection rate changes the amount collected by around £62k in a full year (the Council's risk would be 11% of this amount). The Council's collection rate for 2016/17 was 99%.

6. Material Items of Income and Expense

During the year, there have been 44 sales of Council dwellings to Council tenants; this has resulted in a gain shown in the Comprehensive Income and Expenditure Statement of £1.488m. In addition the Council's former DLO Depot was sold resulting in a gain shown in the Comprehensive Income and Expenditure Statement of £1.323m.

7. Events After the Balance Sheet Date

There have been no events after the balance sheet date of 31 March 2017 that require the financial statements or notes to be adjusted for 2016/17.

8. Expenditure and Funding Analysis

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

2015/16				2016/17		
Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
646	1	647	Community Leadership	634	40	674
834	584	1,418	Corporate Resources	1,725	2,066	3,791
2,513	65	2,578	Economic Development, Asset Management and the Arts	2,386	425	2,811
4,029	478	4,507	Environmental Services	3,948	407	4,355
1,080	4	1,084	General Services	1,260	(523)	737
(14,028)	6,999	(7,029)	Housing Revenue Account	(13,859)	6,827	(7,032)
1,382	187	1,569	Housing Services (General Fund only)	2,170	520	2,690
(2,094)	190	(1,904)	Planning, Transportations and Communications	(2,549)	200	(2,349)
2,175	720	2,895	Sports, Parks and Leisure	2,251	2,404	4,655
(3,463)	**9,228**	**5,765**	**Net Cost of Services**	**(2,034)**	**12,366**	**10,332**
(43)	(11,762)	(11,805)	Other Income and Expenditure	(976)	(14,145)	(15,121)
(3,506)	**(2,534)**	**(6,040)**	**(Surplus) or Deficit**	**(3,010)**	**(1,779)**	**(4,789)**
(23,084)			Opening General Fund and HRA Balance	(26,590)		
(3,506)			Less/Plus Surplus or (Deficit) on General Fund and HRA Balance in Year	(3,010)		
(26,590)			**Closing General Fund and HRA Balance at 31 March ***	**(29,600)**		

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

Notes to Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes Note 1 £000	Net Change for Pensions Adjustments Note 2 £000	Other Differences Note 3 £000	Total Adjustments £000
2016/17				
Community Leadership	40	0	0	40
Corporate Resources	1,880	110	76	2,066
Economic Development, Asset Management and the Arts	395	31	(1)	425
Environmental Services	381	33	(7)	407
General Services	3	(526)	0	(523)
Housing Revenue Account	6,688	63	76	6,827
Housing Services (General Fund only)	472	30	18	520
Planning, Transportations and Communications	129	37	34	200
Sports, Parks and Leisure	2,393	11	0	2,404
Net Cost of Services	**12,381**	**(211)**	**196**	**12,366**
Other Income and Expenditure from the Expenditure and Funding Analysis	**(16,494)**	**3,039**	**(690)**	**(14,145)**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(4,113)**	**2,828**	**(494)**	**(1,779)**
2015/16				
Community Leadership	1	0	0	1
Corporate Resources	277	242	65	584
Economic Development, Asset Management and the Arts	6	54	5	65
Environmental Services	378	108	(8)	478
General Services	3	1	0	4
Housing Revenue Account	6,811	208	(20)	6,999
Housing Services (General Fund only)	120	85	(18)	187
Planning, Transportations and Communications	83	121	(14)	190
Sports, Parks and Leisure	684	31	5	720
Net Cost of Services	**8,363**	**850**	**15**	**9,228**
Other Income and Expenditure from the Expenditure and Funding Analysis	(13,182)	3,290	(1,870)	(11,762)
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(4,819)**	**4,140**	**(1,855)**	**(2,534)**

Note 1

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

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

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

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

Note 2

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

- **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For **Financing and investment income and expenditure –**- the net interest on the defined benefit liability is charged to the CIES.

Note 3

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

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

Segmental Income

Fees, charges and other service income received on a segmental basis is analysed below:

2015/16 £000		2016/17 £000
(13)	Community Leadership	(6)
(3,565)	Corporate Resources	(3,343)
(503)	Economic Development, Asset Management and the Arts	(543)
(2,380)	Environmental Services	(2,622)
(149)	General Services	(84)
(27,492)	Housing Revenue Account	(27,450)
(318)	Housing Services (General Fund only)	(335)
(4,650)	Planning, Transportations and Communications	(5,081)
(597)	Sports, Parks and Leisure	(475)
(39,667)	**Total Fees, Charges and Other Service Income Analysed on a Segmental Basis**	**(39,939)**
(6,096)	Trading Operations	(5,796)
(45,763)	**Total Fees, Charges and Other Service Income**	**(45,735)**

9. Expenditure and Income Analysed by Nature

2015/16 £000		2016/17 £000
	Expenditure	
20,688	Employee Benefits Expenses	21,339
55,173	Other Services Expenses	54,079
8,650	Depreciation, Amortisation, Impairment and Revenue Expenditure funded from Capital under Statute	12,980
(623)	Gain on the Disposal of Assets	(2,816)
5,583	Interest Payments	5,409
571	Precepts and Levies	666
388	Payments to Housing Capital Receipts Pool	385
90,430	**Total Expenditure**	**92,042**
	Income	
(45,763)	Fees, Charges and Other Service Income	(45,735)
(9,964)	Income from Council Tax, Non-Domestic Rates, District Rate Income	(9,923)
(39,830)	Government Grants and Contributions	(39,931)
(486)	Income and Expenditure in relation to investment properties and changes in their fair value	(784)
(427)	Interest and Investment Income	(458)
(96,470)	**Total Income**	**(96,831)**
(6,040)	**(Surplus) or Deficit on the Provision of Services**	**(4,789)**

10. 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:

2016/17	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements					
Pension costs (transferred to or from the Pensions Reserve)	2,299	529	0	0	0
Council Tax and NNDR (transfers to or from the Collection Fund)	(652)	0	0	0	0
Holiday Pay (transferred to or from the Accumulated Absences Account)	81	78	0	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	5,176	8,712	0	0	1,414
Total Adjustment to Revenue Resources	**6,904**	**9,319**	**0**	**0**	**1,414**
Adjustment between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(2,649)	(3,568)	6,217	0	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	57	(57)	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	385	0	(385)	0	0
Posting of HRA resources from revenue to the Major Repairs Reserve	0	(6,956)	0	6,956	0
Statutory provision for the repayment of debt (transfer from the capital adjustment account)	(180)	(1,007)	(253)	0	0
Capital expenditure financed from revenue balances	(3,289)	(794)	0	0	0
Total Adjustments between Revenue and Capital Resources	**(5,733)**	**(12,268)**	**5,522**	**6,956**	**0**
Adjustments to Capital Resources					
Use of the Capital Receipts reserve to finance capital expenditure	0	0	(4,711)	0	0
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	(8,541)	0
Application of capital grants to finance capital expenditure	0	0	0	0	(128)
Deferred Debtors repaid	0	0	253	0	0
Total Adjustments to Capital Resources	**0**	**0**	**(4,458)**	**(8,541)**	**(128)**
Total Adjustments 2016/17	**1,171**	**(2,949)**	**1,064**	**(1,585)**	**1,286**

2015/16 Comparative Year	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements					
Pension costs (transferred to or from the Pensions Reserve)	3,583	558	0	0	0
Council Tax and NNDR (transfers to or from the Collection Fund)	(1,762)	0	0	0	0
Holiday Pay (transferred to or from the Accumulated Absences Account)	(73)	(20)	0	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	1,399	8,333	0	0	1,159
Total Adjustment to Revenue Resources	**3,147**	**8,871**	**0**	**0**	**1,159**
Adjustment between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(485)	(2,666)	3,151	0	0
Administrative costs of non-current asset disposals (funded by a contribution form the Capital Receipts Reserve)	0	49	(49)	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	388	0	(388)	0	0
Posting of HRA resources from revenue to the Major Repairs Reserve	0	(6,674)	0	6,674	0
Statutory provision for the repayment of debt (transfer from the capital adjustment account)	(180)	(893)	(246)	0	0
Capital expenditure financed from revenue balances	(2,325)	(1,766)	0	0	0
Total Adjustments between Revenue and Capital Resources	**(2,602)**	**(11,950)**	**2,468**	**6,674**	**0**
Adjustments to Capital Resources					
Use of the Capital Receipts reserve to finance capital expenditure	0	0	(1,163)	0	0
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	(5,562)	0
Application of capital grants to finance capital expenditure	0	0	0	0	(278)
Deferred Debtors repaid	0	0	246	0	0
Total Adjustments to Capital Resources	**0**	**0**	**(917)**	**(5,562)**	**(278)**
Total Adjustments 2015/16	**545**	**(3,079)**	**1,551**	**1,112**	**881**

11. Movements in 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 2016/17. Reserves indicated with an asterisk (*) are held for capital purposes.

Earmarked Reserves	Balance at 31/03/2015 £000	Transfers Out £000	Transfers In £000	Balance at 31/03/2016 £000	Transfers Out £000	Transfers In £000	Balance at 31/03/2017 £000
General Fund							
Asset Management - General	**249**	(49)	89	**289**	0	0	**289**
Asset Management - Leisure	**418**	(575)	380	**223**	(59)	33	**197**
Back Office Project Costs	**0**	0	933	**933**	(447)	13	**499**
Business Rates Smoothing Reserve	**1,970**	(681)	719	**2,008**	(185)	114	**1,937**
Capital Financing Reserve *	**3,553**	(2,060)	1,596	**3,089**	(2,525)	225	**789**
Carry Forwards	**765**	(765)	699	**699**	(709)	439	**429**
CEO Initiatives	**93**	(15)	0	**78**	0	25	**103**
Creating a New Council	**0**	0	0	**0**	(25)	2,004	**1,979**
Customer Access & Accommodation Project	**215**	(95)	0	**120**	(95)	1,643	**1,668**
DLO Trading Account	**314**	(22)	73	**365**	(244)	0	**121**
DLO Vehicle Replacement Reserve *	**341**	(25)	0	**316**	0	0	**316**
Eco Towns Projects	**142**	0	162	**304**	(66)	0	**238**
Economic Development & Growth Initiatives	**0**	0	315	**315**	0	0	**315**
Garden Village	**0**	0	0	**0**	0	512	**512**
Growth & Regeneration Service Costs	**301**	(214)	1	**88**	(89)	1	**0**
Homelessness Grant	**149**	0	15	**164**	0	0	**164**
Housing Enabling	**178**	0	7	**185**	0	8	**193**
JM & SS Project EMR	**898**	(672)	0	**226**	(271)	69	**24**
Local Plan Enquiry	**189**	(74)	23	**138**	(63)	22	**97**
Monkton Heathfield EMR	**516**	0	173	**689**	(132)	0	**557**
New Homes Bonus Reserve	**2,442**	(764)	2,484	**4,162**	(3,422)	3,491	**4,231**
Performance & Client Consultancy	**195**	(277)	174	**92**	(69)	40	**63**
Planning Delivery Grant	**127**	(25)	0	**102**	(25)	0	**77**
Resources Service Costs	**294**	(236)	311	**369**	(318)	138	**189**
SAP Replacement *	**0**	0	320	**320**	0	0	**320**
Self Insurance Fund	**500**	(15)	0	**485**	0	0	**485**
Specialised Planning Legislation	**165**	(5)	0	**160**	(88)	0	**72**
Other Earmarked Reserves	**1,251**	(524)	262	**989**	(529)	1,020	**1,480**
Total General Fund	**15,265**	**(7,093)**	**8,736**	**16,908**	**(9,361)**	**9,797**	**17,344**

Earmarked Reserves	Balance at 31/03/2015 £000	Transfers Out £000	Transfers In £000	Balance at 31/03/2016 £000	Transfers Out £000	Transfers In £000	Balance at 31/03/2017 £000
Housing Revenue Account (HRA)							
HRA Back Office Project	**0**	0	150	**150**	(150)	0	**0**
HRA Capital Financing Reserve *	**79**	0	0	**79**	0	0	**79**
HRA Carry Forwards	**248**	(235)	328	**341**	0	456	**797**
HRA Community Development Fund	**425**	(219)	0	**206**	0	0	**206**
HRA Customer Access & Accomm Project	**54**	(18)	0	**36**	(11)	0	**25**
HRA Electrical Testing	**700**	0	607	**1,307**	0	663	**1,970**
HRA Employment & Skills	**0**	0	138	**138**	0	0	**138**
HRA Halcon Reserve	**24**	0	0	**24**	0	0	**24**
HRA Letting Contingency	**0**	0	97	**97**	(23)	0	**74**
HRA One Teams	**0**	0	257	**257**	0	0	**257**
HRA Planned External Maintenance	**474**	0	674	**1,148**	0	0	**1,148**
HRA Pre Void & Tenant	**0**	0	139	**139**	(45)	0	**94**
HRA Potential Bad Debts	**0**	0	434	**434**	0	0	**434**
HRA SAP Replacement *	**0**	0	105	**105**	0	0	**105**
HRA Self Insurance Fund	**86**	0	45	**131**	0	42	**173**
HRA Social Housing Development Fund	**112**	(823)	1,000	**289**	0	1,000	**1,289**
Other HRA Earmarked Reserves	**20**	(7)	1	**14**	0	20	**34**
Total HRA	**2,222**	**(1,302)**	**3,975**	**4,895**	**(229)**	**2,181**	**6,847**

Included in the reserves above is the Council's Self Insurance Fund. This is a sum of £656k 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.

The purposes for which individual reserves with balances in excess of £1 million are held are as follows:-

- Business Rates Smoothing Reserve – to smooth the effect of successful Business Rates appeals
- Creating a New Council Reserve - to provide funding towards the potential cost of a new Council
- Customer Access & Accommodation Reserve – to provide funding towards the refurbishment of the Council's main office
- New Homes Bonus Reserve - to receive and distribute the New Homes Bonus Grant
- HRA Electrical Testing – to provide funding towards the HRA Electrical Testing Contracts
- HRA Planned External Maintenance – to provide funding towards the HRA Planned External Maintenance Contracts
- HRA Social Housing Development Fund – to provide funding towards Social Housing Development

12. Other Operating Expenditure

The note below details what is included in the 'Other Operating Expenditure' line in the Comprehensive Income and Expenditure Statement.

2015/16 £000		2016/17 £000
571	Parish Council precepts	666
388	Payments to the Government Housing Capital Receipts Pool	385
52	Pension Administration Costs	61
(623)	(Gains)/Losses on the disposal of non-current assets	(2,816)
388	**Total**	**(1,704)**

13. 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.

2015/16 £000		2016/17 £000
101	Trading account (surpluses) and deficits	55
2,587	Interest payable and similar charges	2,581
2,996	Net interest on the defined liability (asset)	2,828
(427)	Interest receivable and similar income	(458)
(486)	Income and Expenditure in relation to investment properties and changes in their fair value	(784)
4,771	**Total**	**4,222**

14. Taxation and Non Specific Grant Income

The note below details what is included in the 'Taxation and Non-Specific Grant Income' line in the Comprehensive Income and Expenditure Statement.

2015/16 £000		2016/17 £000
(6,005)	Council tax income	(6,627)
(3,959)	Non domestic rates income and expenditure	(3,296)
(5,199)	Non-ringfenced Government grants	(5,163)
(1,801)	Capital grants and contributions	(2,553)
(16,964)	**Total**	**(17,639)**

More details of grants the Council has received can be found in Note 35 Grant Income.

15. 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.

Movement in 2016/17	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets under Construction £000	Total £000
Cost or Valuation							
At 1 April 2016	**229,031**	**80,223**	**10,725**	**12,399**	**7,157**	**7,686**	**347,221**
Additions	10,757	211	678	127	0	5,344	**17,117**
Revaluation increases / (decreases) recognised in the Revaluation reserve	9,954	11,374	0	0	0	0	**21,328**
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(3,055)	0	0	0	0	**(3,055)**
Derecognition - Disposals	(1,576)	(1,368)	0	0	0	0	**(2,944)**
Assets reclassified within Property, Plant & Equipment	0	9,815	0	0	0	(9,815)	**0**
Assets reclassified (to)/from Investment Properties	0	80	0	0	0	0	**80**
Assets reclassified (to)/from Held for Sale	(882)	0	0	0	0	0	**(882)**
At 31 March 2017	**247,284**	**97,280**	**11,403**	**12,526**	**7,157**	**3,215**	**378,865**
Accumulated Depreciation and Impairment							
At 1 April 2016	**0**	**(1,374)**	**(4,977)**	**(1,621)**	**(77)**	**0**	**(8,049)**
Depreciation charge	(6,244)	(897)	(960)	(229)	0	0	**(8,330)**
Depreciation written out to the Revaluation Reserve	6,244	1,773	0	0	0	0	**8,017**
Depreciation written out to the Surplus / Deficit on the Provision of Services	0	89	0	0	0	0	**89**
Derecognition - Disposals	0	46	0	0	0	0	**46**
At 31 March 2017	**0**	**(363)**	**(5,937)**	**(1,850)**	**(77)**	**0**	**(8,227)**
Net Book Value							
As at 31 March 2017	**247,284**	**96,917**	**5,466**	**10,676**	**7,080**	**3,215**	**370,638**

Comparative Movement 2015/16	Council Dwellings £000	Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total £000
Cost or Valuation							
At 1 April 2015	**217,754**	**77,811**	**10,285**	**11,713**	**7,467**	**3,140**	**328,170**
Additions	11,197	100	675	0	78	5,254	**17,304**
Revaluation increases / (decreases) recognised in the Revaluation reserve	1,570	2,820	0	0	0	0	**4,390**
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(557)	0	0	0	0	**(557)**
Derecognition - Disposals	(1,087)	(386)	(247)	0	0	(10)	**(1,730)**
Derecognition - Other	(66)	0	0	0	0	0	**(66)**
Assets reclassified within Property, Plant & Equipment	0	388	12	686	(388)	(698)	**0**
Assets reclassified (to)/from Investment Properties	0	47	0	0	0	0	**47**
Assets reclassified (to)/from Held for Sale	(337)	0	0	0	0	0	**(337)**
At 31 March 2016	**229,031**	**80,223**	**10,725**	**12,399**	**7,157**	**7,686**	**347,221**
Accumulated Depreciation and Impairment							
At 1 April 2015	**0**	**(1,577)**	**(4,347)**	**(1,457)**	**(336)**	**0**	**(7,717)**
Depreciation charge	(6,263)	(865)	(877)	(164)	0		**(8,169)**
Depreciation written out to the Revaluation Reserve	6,263	1,055	0	0	0	0	**7,318**
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	258	0	0	0	0	**258**
Derecognition - Disposals	0	14	247	0	0	0	**261**
Assets reclassified within Property, Plant and Equipment	0	(259)	0	0	259	0	**0**
At 31 March 2016	**0**	**(1,374)**	**(4,977)**	**(1,621)**	**(77)**	**0**	**(8,049)**
Net Book Value							
As at 31 March 2016	**229,031**	**78,849**	**5,748**	**10,778**	**7,080**	**7,686**	**339,172**

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 2016/17 are shown below.

General Fund

The Council has entered into a contract for Blackbrook Pool which was completed in 2016/17. Remaining commitments on this contract are approximately £153k.

The Council has entered into several small contracts for the refurbishment of the offices at Deane House totalling £670k. Contracts for the reminder of the refurbishment works are due to be signed in September 2017.

Similar commitments as at 31 March 2016 on other General Fund Projects were approximately £2.0m in total.

Housing Revenue Account

At 31 March 2017 the Council has entered into a number of contracts to maintain the Housing Stock in 2017/18. The commitments are: Meeting Halls £36k, Door Entry £67k and Soffits and Fascias £253k.

Similar commitments at 31 March 2016 on Housing Revenue Account contracts were £15,387k.

Revaluations

The Council normally carries out a rolling programme of asset valuations to ensure that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. However, in 2016/17 the Council undertook a full valuation of all General Fund land and buildings and Housing Revenue Account (HRA) beacon properties. In 2017/18 the Council will revert to a rolling programme of revaluations.

All valuations have been carried out by TDA, the trading name of Torbay Economic Development Company Ltd (TEDCL), who are in turn a company controlled by Torbay Council. 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:

- All properties have been valued as free from borrowings and encumbrances.
- The Valuer has not undertaken structural surveys of the properties, independent site investigations, tested services, nor exposed parts of the structure which were covered, unexposed or inaccessible.
- The Valuer has assumed inspection of those parts which have not been inspected would not cause the Valuer to alter his opinion of value. Nevertheless the Valuer has had regard to the age, use and general condition of the building when determining his opinion of the value.
- It is assumed that no high alumina cement, concrete or calcium chloride addition or other potentially deleterious material has been used in the construction of the properties and that none have subsequently been incorporated.
- The Valuer has assumed, unless advised to the contrary and confirmed in the Valuation report, that all properties and their values are unaffected by contamination and other environmental issues.
- The Valuer has not made enquires as to whether the properties meet statutory requirements regarding such matters as licences, fire precautions, public environmental health, health and safety at work and building regulations legislation, The Valuer has assumed that all properties comply with these various requirements.
- It is assumed that the Council will in the future maintain its property portfolio to a reasonable standard.
- Details of tenures have been derived from the tenancy schedules provided to the Valuer. For avoidance of doubt the Valuer has assumed these are accurate and up to date. The Valuer has

not undertaken any inspection of title deeds. The properties have been valued on the basis that they are not subject to any unusual or onerous restrictions, encumbrances or outgoings and that good title can be shown. It is assumed that all properties have the necessary planning consents and certificates for use and construction and are not being used in breach of any covenants.

- Where a market value relies on an alternative planning use, this use has been derived from planning policies in consultation with the Council's Planning Service.
- All data provided by the Council used in the valuations is assumed to be correct.
- These valuations do not take into account Value Added Tax or any other taxes.

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

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Total £000
Valued at Historic Cost	0	0	11,403	**11,403**
Valued at:				
01 April 2011	23	0	0	**23**
01 April 2012	0	2,844	0	**2,844**
01 April 2013	0	150	0	**150**
01 April 2014	0	13,647	0	**13,647**
01 April 2015	0	1,703	0	**1,703**
31 March 2017	247,261	78,936	0	**326,197**
Total	**247,284**	**97,280**	**11,403**	**355,967**

16. Investment Property

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.

2015/16 £000		2016/17 £000
412	Rental income from investment property	413
116	(Gains)/losses on the disposal of investment property	0
(42)	Net gains/(losses) from fair value adjustments	371
486	**Total**	**784**

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

2015/16 £000		2016/17 £000
3,897	Balance at start of the year	3,808
(42)	Net gains/losses from fair value adjustments	371
	Transfers:	
0	(To)/from Investment Property Held for Sale	204
(47)	(To)/from Property, Plant & Equipment	(80)
3,808	**Balance at end of the year**	**4,303**

Fair Value Measurement of Investment Property

Details of the Council's Investment Properties and information about the Fair Value Hierarchy are as follows:

2015/16 £000	Significant Unobservable Inputs (Level 3)	2016/17 £000
1,621	Commercial Buildings	1,673
2,187	Commercial Land	2,630
3,808	**Investment Property**	**4,303**

Significant Unobservable Inputs – Level 3

The commercial land and buildings located in the Council's area are measured using the income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream. The approach has been developed using the Authority's own data requiring it to factor in assumptions such as the duration and timing of cash inflows and outflows, rent growth, occupancy levels, bad debt levels, maintenance costs, etc.

The Council's commercial land and buildings are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

Highest and Best Use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

Valuation Techniques

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

17. 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 classifications:

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

- Cash
- Bank accounts
- Loans made to Somerset CCC, Somerset waste Partnership and others 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 issued by banks and building societies
- Covered bonds issued by building societies
- Treasury bills and gilts issued by the UK Government

Financial Instruments - Balances

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

31 March 2016			31 March 2017	
Long Term £000	**Short Term £000**	**Financial Liabilities**	**Long Term £000**	**Short Term £000**
		Loans at amortised cost:		
89,500	2,698	Principal sum borrowed	85,500	4,000
107	0	Accrued interest	106	0
89,607	**2,698**	**Total Borrowing**	**85,606**	**4,000**
		Liabilities at amortised cost:		
0	5,535	Trade payables	0	2,407
0	**5,535**	**Included in Creditors**	**0**	**2,407**
89,607	**8,233**	**Total Financial Liabilities**	**85,606**	**6,407**

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

31 March 2016 Long Term £000	31 March 2016 Short Term £000	Financial Assets	31 March 2017 Long Term £000	31 March 2017 Short Term £000
		Loans and receivables:		
3	10,000	Principal at amortised cost	3	5,000
0	15	Accrued interest	0	16
		Available-for-sale investments:		
11,075	0	Cash equivalents at amortised cost	10,835	0
0	0	Accrued interest	0	0
11,078	**10,015**	**Total Investments**	**10,838**	**5,016**
		Loans and receivables:		
0	1,061	Cash	0	(1,547)
0	4,000	Cash equivalents at amortised cost	0	5,800
0	2	Accrued interest	0	1
		Available-for-sale investments:		
0	11,250	Cash equivalents at amortised cost	0	15,850
0	65	Accrued interest	0	85
0	**16,378**	**Total Cash and Cash Equivalents**	**0**	**20,189**
		Loans and receivables:		
133	1,854	Trade receivables	154	1,474
941	131	Loans made for service purposes	2,070	349
1,074	**1,985**	**Included in Debtors**	**2,224**	**1,823**
12,152	**28,378**	**Total Financial Assets**	**13,062**	**27,028**

£2,419k of loans made for service purposes at 31 March 2017 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 2016/17.

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 below: Surplus on revaluation of Available-for-Sale Financial assets

Income, Expense, Gains and Losses

2015/16					2016/17			
Liabilities measured at amortised cost £000	Loans and Receivables £000	Available-for-sale Assets £000	Total £000		Liabilities measured at amortised cost £000	Loans and Receivables £000	Available-for-sale Assets £000	Total £000
2,588	0	0	**2,588**	Total interest expense in Surplus or Deficit on the Provision of Services	2,581	0	0	**2,581**
0	(112)	(315)	**(427)**	Total interest income in Surplus or Deficit on the Provision of Services	0	(139)	(319)	**(458)**
0	0	(33)	**(33)**	Surplus on revaluation of Available-for-Sale Financial assets	0	0	(86)	**(86)**

Fair Values of Financial Assets

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

Fair values are shown in the tables below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

31 March 2016 £000	Recurring Fair Value Measurements	Input Level In Fair Value Hierarchy	Valuation Technique Used to Measure Fair Value	31 March 2017 £000
	Available for sale			
11,075	Covered Bonds Issued by UK and Overseas Banks and Building Societies	Level 1	Unadjusted quoted prices in active markets for identical shares	10,835
11,075				**10,835**

Changes in the Valuation Technique

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

The Fair Values of Financial Assets and Liabilities that are not measured at Fair Value (but for which Fair Value Disclosures are required)

Except for the financial assets carried at fair value (described in the table above), all other long term financial liabilities and financial assets held by the Council are classified as loans and receivables and long term debtors and are carried in the Balance Sheet at amortised cost. The fair values are calculated as follows:

31 March 2016			31 March 2017	
Carrying Amount £000	Fair Value £000	Financial Liabilities	Carrying Amount £000	Fair Value £000
92,305	102,824	Long and Short Term Borrowing	89,606	105,715

The fair value of the financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the interest rate on similar loans is now higher than the current rates available for similar loans at the Balance Sheet date.

31 March 2016			31 March 2017	
Carrying Amount £000	Fair Value £000	Financial Assets	Carrying Amount £000	Fair Value £000
1,072	1,199	Long and Short Term Loans made for Service Purposes	2,419	2,615

The fair value of the financial assets held at amortised cost is higher than their balance sheet carrying amount because the interest rate on similar investments is now lower than that obtained when the investment was originally made.

Short term loans and receivables, available-for-sale assets, debtors and creditors are carried at cost as this is a fair approximation of their value.

Fair Value Hierarchy for Financial Assets and Financial Liabilities that are not measured at Fair Value

31 March 2016			31 March 2017	
Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Recurring fair value measurements using:	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000
		Financial Liabilities		
0	102,824	Long and Short Term Borrowing	0	105,715
		Financial Assets		
0	1,199	Long and Short Term Loans made for Service Purposes	0	2,615

The fair values for Financial Assets and Financial Liabilities that are not measured at fair value have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2017, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans. In

accordance with advice from the Council's Treasury advisers an alternative market rate has been used for PWLB loans rather than the rate published by PWLB.

- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.

- No early repayment or impairment is recognised for any financial instrument.

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 2016 £000		31 March 2017 £000
2,675	Central Government bodies	295
2,981	Other local authorities	1,175
38	NHS bodies	36
3,826	Other entities and individuals	3,950
9,520	**Total**	**5,456**

The above figures include Trade Receivables of £1.474m (2016 £1.854m) which are classified as Financial Instruments and included in the analysis in Note 19 above.

Long term Debtors:

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

31 March 2016 £000		31 March 2017 £000
62	Sundry Mortgages	59
10	Car/Bike Loans to Employees	11
64	Tone Leisure Loan	0
877	Somerset CCC Loan	810
0	Somerset Waste Partnership Loan	1,216
0	COACH Loan	44
61	Trade Debtors	84
1,074	**Total**	**2,224**

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 Accounting Policies.

31 March 2016 £000		31 March 2017 £000
6	Cash held by the Council	11
1,055	Bank current accounts	(1,558)
4,002	Call Accounts	5,801
7,062	Bond Funds	7,083
4,253	Money Market Funds	8,852
16,378	**Total Cash and Cash Equivalents**	**20,189**

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 the lower of carrying value and fair value less costs to sell. The maximum amount at which an asset is carried is the amount at which it was initially recognised as Held for Sale. All valuations were carried out in accordance with standards set out by the Royal Institution of Chartered Surveyors (RICS).

Current 2015/16 £000		Current 2016/17 £000
849	**Balance outstanding at start of the year**	**698**
	Assets newly classified as held for sale:	
337	Property, Plant and Equipment	882
	Assets declassified as held for sale:	
(488)	Assets sold	(447)
698	**Balance outstanding at year end**	**1,133**

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 2016 £000		31 March 2017 £000
3,869	Central Government bodies	1,047
3,578	Other local authorities	3,883
2	Public corporations and trading funds	0
14,256	Other entities and individuals	11,395
21,705	**Total**	**16,325**

The above figures include Trade Payables of £2.407m (2016 £5.535m) which are classified as Financial Instruments and included in the analysis in Note 19 above.

22. Provisions

2015/16 NNDR Appeals £000	2015/16 Other Provisions £000	2015/16 Total £000		2016/17 NNDR Appeals £000	2016/17 Other Provisions £000	2016/17 Total £000
2,936	**150**	**3,086**	**Balance at start of year**	**1,920**	**160**	**2,080**
0	113	**113**	Additional provisions made in year	0	0	**0**
(540)	(103)	**(643)**	Amounts used in year	(749)	(44)	**(793)**
(476)	0	**(476)**	Unused amounts reversed in year	(237)	0	**(237)**
1,920	**160**	**2,080**	**Balance at year-end**	**934**	**116**	**1,050**

Business Rates Appeals

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 £2.336m in respect of the Business Rates Collection Fund. There has not been any significant increase in the number of appeals during 2016/17 but the Council continues to take a prudent approach to evaluating the risk.

Other Provisions

These comprise £19k in respect of the Deposit Protection Scheme run by the Council to enable tenants to obtain private sector rented accommodation, £77k in respect of a probable obligation to refund Personal Search Fees and £20k in respect of a potential insurance claim relating to an employee's mesothelioma following exposure to asbestos.

23. Usable Reserves

The table below details the Council's usable reserves which can be applied to fund expenditure or reduce local taxation.

31 March 2016 £000		31 March 2017 £000
2,113	General Fund Balance	2,186
16,908	General Fund Earmarked Reserves	17,344
2,675	Housing Revenue Account Balance	3,244
4,895	Housing Revenue Account Earmarked Reserves	6,846
8,274	Capital Receipts Reserve	9,339
6,176	Major Repairs Reserve	4,591
1,581	Capital Grants Unapplied Account	2,867
42,622	**Total Usable Reserves**	**46,417**

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.

31 March 2016 £000		31 March 2017 £000
46,294	Revaluation Reserve	74,612
188,760	Capital Adjustment Account	193,135
(78,388)	Pensions Reserve	(99,480)
(584)	Collection Fund Adjustment Account	68
(326)	Accumulated Absences Account	(484)
33	Available-for-sale Financial Instruments Reserve	119
155,789	**Total Unusable Reserves**	**167,970**

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:

2015/16 £000			2016/17 £000
35,003	**Balance as at 1 April**		**46,294**
11,734	Upward revaluation of assets	31,269	
(27)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(1,924)	
11,707	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		29,345
(326)	Difference between fair value depreciation and historical cost	(368)	
(90)	Accumulated gains on assets sold or scrapped	(659)	
(416)	Amount written off to the Capital Adjustment Account		(1,027)
46,294	**Balance as at 31 March**		**74,612**

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 10 – 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.

2015/16 £000		2016/17 £000	
187,069	**Balance as at 1 April**		**188,760**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
(8,170)	Charges for Depreciation and impairment of non current assets	(8,331)	
(299)	Revaluation losses on Property, Plant and Equipment	(2,965)	
(164)	Amortisation of intangible assets	(190)	
(494)	Revenue expenditure funded from capital under statute	(1,984)	
(2,363)	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	(3,344)	
(11,490)			(16,814)
416	Adjusting amounts written out of the Revaluation Reserve		1,029
(11,074)	**Net written out amount of the cost of non current assets consumed in the year**		**(15,785)**
	Capital financing applied in the year:		
1,162	Use of the Capital Receipts Reserve to finance new capital	4,711	
5,562	Use of Major Repairs Reserve to finance new capital expenditure	8,541	
642	Capital grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital	1,141	
278	Application of grants to capital financing from the Capital Grants Unapplied Account	128	
1,319	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	1,439	
4,091	Capital expenditure charged against the General Fund and HRA balances	4,083	
13,054			20,043
(42)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		371
(247)	Deferred Debtors repaid		(254)
188,760	**Balance as at 31 March**		**193,135**

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:

2015/16 £000		2016/17 £000
(92,268)	**Balance as at 1 April**	**(78,388)**
18,021	Remeasurement of the net defined benefit liability/(assets)	(18,264)
(7,099)	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	(6,019)
2,958	Employer's pension contributions and direct payments to pensioners payable in the year	3,191
(78,388)	**Balance as at 31 March**	**(99,480)**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Non-Domestic Rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers and business ratepayers 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.

2015/16				2016/17		
Council Tax £000	Business Rates £000	Total £000		Council Tax £000	Business Rates £000	Total £000
126	**(2,472)**	**(2,346)**	**Balance as at 1 April**	**135**	**(719)**	**(584)**
9	1,753	1,762	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	130	522	652
135	**(719)**	**(584)**	**Balance as at 31 March**	**265**	**(197)**	**68**

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.

2015/16 £000		2016/17	£000
(420)	**Balance as at 1st April**		**(326)**
420	Settlement or cancellation of accrual made at the end of the preceding year	326	
(326)	Amounts accrued at the end of the current year	(484)	
94	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.		(158)
(326)	**Balance as at 31st March**		**(484)**

Available-for-Sale Financial Instruments Reserve

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

- Revalued downwards or impaired and the gains are lost
- Disposed of and the gains are realised.

2015/16 £000		2016/17 £000
0	**Balance as at 1st April**	**33**
33	Upward revaluation of investments	86
33	**Balance as at 31st March**	**119**

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:

2015/16 £000		2016/17 £000
(401)	Interest Received	(438)
2,588	Interest Paid	2,582
2,187		**2,144**

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

2015/16 £000		2016/17 £000
8,169	Depreciation	8,330
164	Amortisation	189
299	Impairment and downward valuations	2,966
42	Movement in Fair Value of Investment Property	(371)
55	Increase/(Decrease) in impairment for Bad Debts	172
7,047	(Decrease)/Increase in creditors	(5,380)
(5,010)	(Increase)/Decrease in debtors	3,892
8	(Increase/Decrease) in Inventory	21
2,362	Carrying Value of Non Current Assets Disposed	3,344
4,141	Movement in Pension Liability	2,828
(1,006)	Decrease in Provisions	(1,030)
16,271		**14,961**

Adjustments for items included in the net surplus/deficit on provision of services that are Investing and Financing Activities (Note 26):

2015/16 £000		2016/17 £000
(3,151)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(6,470)
(3,151)		**(6,470)**

26. Cash Flow Statement – Investing Activities

2015/16 £000		2016/17 £000
(17,439)	Purchase of Property, Plant and Equipment, Investment Property and intangible assets	(17,416)
(27,112)	Purchase of Short Term & Long Term Investments	(14,016)
(700)	Other payments for investing activities	(1,617)
3,151	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	6,470
15,505	Proceeds from short-term and long-term investments	19,341
133	Other receipts from investing activities	467
(26,462)	**Net cash flows from investing activities**	**(6,771)**

27. Cash Flow Statement – Financing Activities

2015/16 £000		2016/17 £000
0	Repayment of Short Term and Long Term Borrowing	(2,698)
0	**Net cash flows from financing activities**	**(2,698)**

28. 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:

		2014/15		2015/16		2016/17	
		£'000	£'000	£'000	£'000	£'000	£'000
Building Maintenance DLO	Turnover	(6,116)		(4,941)		(5,303)	
	Expenditure	6,095		5,014		5,258	
	(Surplus)/Deficit		**(21)**		**73**		**(45)**
Grounds Maintenance DLO	Turnover	(3,211)		(3,499)		(3,241)	
	Expenditure	3,241		3,460		3,281	
	(Surplus)/Deficit		**30**		**(39)**		**40**
Net DLO (Surplus)/Deficit			**9**		**34**		**(5)**
Deane Helpline	Turnover	(976)		(1,024)		(1,030)	
	Expenditure	1,049		1,091		1,090	
	(Surplus)/Deficit		**73**		**67**		**60**
Net Trading (Surplus)/Deficit			**82**		**101**		**55**

The above figures differ from the outturn reports, which indicated that the DLO had made a surplus, as they include additional costs (principally pension adjustments) in order to comply with IFRS.

29. 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.

2015/16 £000		2016/17 £000
309	Allowances	312
15	Expenses	17
324	**Allowances paid in the year**	**329**

30. Officers' Remuneration

During 2013/14 Taunton Deane Borough Council approved plans to share a joint management team with West Somerset District Council and the figures below represent the full cost of remuneration paid to employees working jointly for both authorities. With the exception of specific senior employees (details of who are set out in Footnotes 4 and 5 below) the split of remuneration was 80:20 to Taunton Deane: West Somerset. The remuneration paid to the Council's senior employees is as follows:

Post holder information (Post Title)		Salary, Fees and Allowances	Expenses Allowances	Compensation for Loss of Office	Total Remuneration excluding pension contributions	Pension Contributions	Total Remuneration	Annualised Salary
		£	£	£	£	£	£	£
Chief Executive	**2016/17**	113,131	3,333	0	**116,464**	20,442	**136,906**	113,131
	2015/16	110,000	1,279	0	111,279	20,240	131,519	110,000
Director for Operations & Deputy Chief Executive	**2016/17**	97,442	0	0	**97,442**	12,382	**109,824**	89,598
	2015/16	86,700	1,247	0	87,947	11,704	99,651	86,700
Director for Growth & Development	**2016/17**	84,447	1,481	0	**85,928**	11,126	**97,054**	82,416
	2015/16	81,600	1,274	0	82,874	11,016	93,890	81,600
Director for Housing & Communities	**2016/17**	82,416	0	0	**82,416**	11,126	**93,542**	82,416
	2015/16	81,600	0	0	81,600	11,016	92,616	81,600
Assistant Chief Executive & Monitoring Officer	**2016/17**	65,418	0	0	**65,418**	8,439	**73,857**	65,418
	2015/16	64,770	0	0	64,770	8,744	73,514	64,770
Assistant Director - Housing & Community Development	**2016/17**	61,812	0	0	**61,812**	8,345	**70,157**	61,812
	2015/16	61,200	0	0	61,200	8,262	69,462	61,200
Assistant Director - Planning & Environment	**2016/17**	63,843	677	0	**64,520**	8,345	**72,865**	61,812
	2015/16	61,200	1,354	0	62,554	8,262	70,816	61,200
Assistant Director - Transformation[1]	**2016/17**	63,843	627	0	**64,470**	8,345	**72,815**	61,812
	2015/16	61,200	1,188	0	62,388	8,262	70,650	61,200
Assistant Director - Operational Delivery	**2016/17**	63,231	0	0	**63,231**	8,369	**71,600**	61,812
	2015/16	61,341	0	0	61,341	8,281	69,622	61,200
Assistant Director - Business Development	**2016/17**	61,812	0	0	**61,812**	8,345	**70,157**	61,812
	2015/16	61,200	0	0	61,200	8,262	69,462	61,200
Assistant Director - Strategic Finance	**2016/17**	61,812	0	0	**61,812**	8,345	**70,157**	61,812
	2015/16	61,200	0	0	61,200	8,262	69,462	61,200
Assistant Director - Energy & Infrastructure	**2016/17**	64,543	0	0	**64,543**	8,402	**72,945**	61,812
	2015/16	61,200	0	0	61,200	8,262	69,462	61,200
Assistant Director - Property & Development[2]	**2016/17**	0	0	0	**0**	0	**0**	0
	2015/16	20,476	0	45,900	66,376	2,288	68,664	61,200
Assistant Director - Corporate Services[1]	**2016/17**	22,998	0	0	**22,998**	3,105	**26,103**	68,993
	2015/16	0	0	0	0	0	0	0

Notes:

1 The Assistant Director – Transformation was Assistant Director – Corporate Services until 1 December 2016 when he assumed his current role and a new Assistant Director – Corporate Services was appointed.
2 The Assistant Director – Property & Development left on 10 July 2015.
3 The above posts were shared with West Somerset District Council throughout the two years 2015/16 and 2016/17.
4 The split of remuneration for the Director Housing & Communities is 90:10 to Taunton Deane: West Somerset
5 The split of remuneration for the Chief Executive, Assistant Chief Executive & Monitoring Officer and Assistant Director – Strategic Finance 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:

2015/16 Number of employees Total	Remuneration Band	2016/17 Number of employees Total
4	£50,000 - £54,999	3
2	£60,000 - £64,999	0

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

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 (£)	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
£0 - £20,000	0	3	1	0	1	3	32,830	23,700
£20,001 - £40,000	1	0	0	0	1	0	45,900	0
Total included in the CIES	**1**	**3**	**1**	**0**	**2**	**3**	**78,730**	**23,700**

31. External Audit Costs

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

2015/16 £000		2016/17 £000
51	Fees payable to external auditors with regards to external audit services carried out by the appointed auditor for the year	51
11	Fees paid to external auditors for the certification of grant claims and returns for the year	8
62	**Total**	**59**

32. Grant Income

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

2015/16 £000		2016/17 £000
	Credited to Taxation and Non Specific Grant Income	
1,916	Revenue Support Grant	1,280
62	Council Tax Freeze Grant	0
34	Local Service Support Grant	0
3,187	New Homes Bonus	3,883
1,801	Capital Grants	2,553
7,000	**Total**	**7,716**
	Credited to Services	
18,311	Rent Allowances	17,488
13,062	Rent Rebates	12,559
627	Housing Benefit Admin	630
940	Other Grants and Contributions	1,537
32,940	**Total**	**32,214**
39,940		**39,930**

33. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit 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). Grant income is shown in Note 32.

Transactions to and from the Pension Fund are detailed in Note 37.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2016/17 is shown in Note 29.

Until 31 March 2017 the Council was 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 comprised 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.

During 2016/17, works and services to the value of £41,441 were commissioned from organisations in which two Members had an interest. Contracts were entered into in full compliance with the Council's standing orders. In addition, the Council paid grants totalling £129,370 to voluntary organisations in

which four Members had positions on the governing body. 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 2016/17 works and services to the value of £23,469 were commissioned from organisations in which one senior officer had an interest. Contracts were entered into in full compliance with the Council's standing orders.

The Council is a member of South West Audit Partnership Limited, a company limited by guarantee which provides internal audit services to its thirteen local authority members (including this Council). The Assistant Director – Strategic Finance and the Assistant Director - Corporate Services are Directors of South West Audit Partnership Limited.

34. 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:

2015/16 £000		2016/17 £000
105,100	**Opening Capital Financing Requirement**	**110,679**
	Capital Investment	
17,304	Property, Plant and Equipment	17,117
700	Loans made for service provision	1,617
135	Intangible Assets	300
494	Revenue Expenditure Funded from Capital under Statute	1,984
18,633		**21,018**
	Sources of finance	
(1,162)	Capital receipts	(4,711)
(920)	Government Grants and Other Contributions	(1,269)
(5,562)	Major Repairs Allowance	(8,541)
	Sums set aside from revenue	
(4,091)	Direct revenue contributions	(4,083)
(1,319)	Minimum Revenue Provision (MRP)	(1,439)
(13,054)		**(20,043)**
110,679	**Closing Capital Financing Requirement**	**111,654**
	Explanation of movements in the Capital Financing Requirement in year:	
4,825	Increase / (Decrease) in underlying need to borrowing (unsupported by Government financial assistance)	975
4,825	**Increase/(decrease) in Capital Financing Requirement**	**975**

35. 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 Lessor

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.

31 March 2016 £000		31 March 2017 £000
643	Not later than one year	619
2,362	Later than one year and not later than five years	2,274
2,530	Later than five years and not later than ten years	2,435
5,535	**Total payments due in future years**	**5,328**

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.

36. Termination Benefits

As part of the Joint Management and Shared Service (JMASS) partnership with West Somerset the Councils jointly terminated the contracts of 3 employees in 2016/17, compared to 2 in 2015/16. See note 33 for the number of exit packages and total cost per band.

37. 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 liabilities with the investment assets.

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013, is contracted out of the State Second Pension and currently

provides benefits based on career average revalued salary and length of service on retirement, with various protections in place for those members in the scheme before the changes took effect.

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:

2015/16 £000		2016/17 £000
	Comprehensive Income and Expenditure Statement (CIES)	
	Cost of Services	
4,043	Service costs	3,119
60	Administration expenses	72
	Financing and Investment Income and Expenditure:	
2,996	Net interest on the defined liability	2,828
7,099	**Total Post Employment Benefits charged to the Surplus on the Provision of Services**	**6,019**
	Remeasurement of the net defined liability comprising:	
2,028	Return on assets (excluding the amount included in the net interest expense)	(18,113)
(19,954)	Change in financial assumptions	40,435
0	Change in demographic assumptions	(2,796)
(95)	Experience (gain) / loss on defined benefit obligation	(2,041)
0	Other actuarial (gains) / losses on assets	779
(18,021)	**Total Post Employment Benefit Charged to the Income and Expenditure Statement**	**18,264**
	Movement in Reserves Statement	
(7,099)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	(6,019)
	Actual amount charged against the General Fund balance for pensions in the year:	
2,958	Employers contributions payable to scheme	3,191

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows:

31 March 2016 £000	Local Government Pension Scheme	31 March 2017 £000
(163,308)	Present value of funded obligation	(200,912)
87,248	Fair value of plan assets	103,902
(76,060)	Deficit	(97,010)
(2,328)	Present value of unfunded obligation	(2,470)
(78,388)	**Net Liability**	**(99,480)**

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

2015/16 £000	Funded liabilities: Local Government Pension Scheme	2016/17 £000
(179,985)	**Opening balances as at 1 April**	**(165,636)**
(4,043)	Current service cost	(3,645)
(5,870)	Interest cost	(5,978)
19,954	Change in financial assumptions	(40,435)
0	Change in demographic assumptions	2,796
95	Experience loss / (gain) on defined benefit obligation	2,041
(899)	Contributions by scheme participants	(885)
4,961	Benefits paid	6,079
0	Past service costs, including curtailments	(52)
0	Settlements	2,191
151	Unfunded Pension Payments	142
(165,636)	**Closing balance as at 31 March**	**(203,382)**

Reconciliation of fair value of the scheme assets:

2015/16 £000	Local Government Pension Scheme	2016/17 £000
87,717	**Opening balance as at 1st April**	**87,248**
2,874	Interest on assets	3,150
(2,028)	Return on assets less interest	18,113
0	Other actuarial gains/(losses)	(779)
(60)	Administration expenses	(72)
2,958	Employer contributions	3,191
899	Contributions by scheme participants	885
(5,112)	Benefits paid	(6,221)
0	Settlements	(1,613)
87,248	**Closing balance as at 31st March**	**103,902**

Local Government Pension Scheme assets comprised:

2015/16 £000	Fair Value of Scheme Assets	2016/17 £000
59,801	Equities	74,076
6,580	Gilts	6,368
9,625	Other bonds	10,190
9,823	Property	9,167
1,419	Cash	4,101
87,248	**Total**	**103,902**

From the information we have received from the Administering Authority we understand that of the total Fund at 31 March 2017 approximately £7.897m (2016 £3.732m) of Equities and £9.167m (2016 £9.823m) of Property did not have a quoted market price in an active market.

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 2016.

2015/16	Local Government Pension Scheme	2016/17
	Long-term expected rates of return on assets in the scheme:	
	Mortality assumptions:	
	Longevity at 65 for current pensioners	
23.8	- Men	23.9
26.2	- Women	25.0
	Longevity at 65 for future pensioners	
26.1	- Men	26.1
28.5	- Women	27.4
3.3%	Rate of inflation - RPI	3.6%
2.4%	Rate of inflation - CPI	2.7%
4.2%	Rate of increase in salaries	4.2%
2.4%	Rate of increase in pensions	2.7%
3.7%	Rate for discounting scheme liabilities	2.8%
10.0%	Take up option to convert annual pension into retirement lump sum	10.0%

Sensitivity Analysis:

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation In the Scheme	
	Increase in Assumption £000	Decrease in Assumption £000
Longevity (increase or decrease in 1 year)	(7,788)	7,491
Rate of increase in salaries (increase or decrease by 0.1%)	(552)	547
Rate of increase in pensions (increase or decrease by 0.1%)	(3,355)	3,290
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	3,829	(3,907)

Impact on the Council's Cash Flows

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £99.480m 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 of contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2018 is £3.948m.

38. Contingent Liabilities

Tone Leisure

During 2004/05, the Council created a Leisure Trust, Tone Leisure, to manage its leisure services on its behalf. During the creation of the trust, Tone Leisure became an admitted body into the Somerset County Council Pension Fund and the Council provided a guarantee that it would 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.

In January 2017 Tone Leisure formally merged with Greenwich Leisure Limited (GLL) and its employees transferred to GLL in accordance with the Transfer of Undertakings (Protection of Employment) rules. The Council remains liable for the deficit on the Pension Fund attributable to GLL at 31 March 2017 only if GLL can no longer be considered a going concern. The Council has assessed GLL as a going concern. The liability has not been included within the Council's main financial statements.The Council would need to make good that defict by increasing its own contributions to the Fund. Additional payments may be expected in the future but have yet to be determined. 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 £3.941m (2015/16 £1.630m).

Business Rates Retention

The total provision for current and backdated appeals stands at £2.336m (2015/16 £4.799m), of this the Council's share is £0.934m (2015/16 £1.920m). 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 £268k.

Planning Guarantee

Under the terms of the Government's Planning Guarantee any application registered after 1st October 2013 which has taken longer than six months to determine without an extension of time being in place can be subject to the applicant requesting a fee refund. As there is no time limit for requesting a refund the Council has a contingent liability in respect of future requests; it is estimated that this is unlikely to exceed £60k.

Business Rates Appeal by the NHS

Along with other local authorities we have received claims from a local trust hospital to receive mandatory charitable relief (under Section 47 of the LGFA 1988) in relation to their Business Rates bills, including backdating the relief for six years. If these claims are successful this would result in an 80% mandatory award being applied per application. Currently Trusts or Foundation Trusts are not considered charitable organisations but rather public funded organisations with boards of directors and not trustees. The matter is now the subject of a legal process nationally and local government stand by the stance that relief is not applicable. We have therefore not provided for any settlement in our accounts.

39. 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 predicators 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 £6.0m 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 £6.0m 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 £6.0m 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 2017 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:

31 Mar 2016 Long Term £000	31 Mar 2016 Short Term £000	Credit Rating	31 Mar 2017 Long Term £000	31 Mar 2017 Short Term £000
11,075	11,250	AAA	10,835	15,850
0	0	AA	0	3,000
0	2,000	AA-	0	2,000
0	1,000	A+	0	2,000
0	4,000	A	0	2,800
0	6,000	A-	0	0
0	1,000	Unrated	0	1,000
11,075	**25,250**	**Total**	**10,835**	**26,650**

Trade Receivables

During 2016/17 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 2016 Trade Debtors £000		31 March 2017 Trade Debtors £000	31 March 2017 Impairment £000	31 March 2017 Trade Debtors Not Impaired £000
1,004	Less than three months	951	0	951
64	Over three months up to six months	49	12	37
55	Over six months up to one year	58	14	44
198	More than one year	152	85	67
1,321		**1,210**	**111**	**1,099**

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:

31 Mar 2016 Long Term £000	31 Mar 2016 Short Term £000	Credit Rating	31 Mar 2017 Long Term £000	31 Mar 2017 Short Term £000
		Loans by Type		
86,500	2,698	Public Works Loan Board	82,500	4,000
3,000	0	Other Financial Institutions	3,000	0
89,500	**2,698**		**85,500**	**4,000**
		Loans by Maturity		
0	2,698	Less than 1 year	0	4,000
4,000	0	Over 1 but not over 2 years	3,000	0
10,000	0	Over 2 but not over 5 years	17,000	0
35,000	0	Over 5 but not over 10 years	41,000	0
33,500	0	Over 10 but not over 15 years	17,500	0
0	0	Over 15 but not over 20 years	0	0
7,000	0	More than 20 years	7,000	0
89,500	**2,698**		**85,500**	**4,000**

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:

2015/16 £000		2016/17 £000
50	Increase in interest payable on variable rate borrowings	50
(152)	Increase in interest receivable on variable rate investments	(216)
(102)	**Impact on Surplus or Deficit on the Provision of Services**	**(166)**
7,573	Decrease in fair value of fixed rate borrowings	7,627
266	Decrease in fair value of fixed rate available-for-sale investments	166

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.

Housing (HRA) Income and Expenditure Account

The Housing Revenue Account (HRA) Income and Expenditure Statement shows the economic cost in year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement of the HRA Statement.

2015/16 £000	2015/16 £000		2016/17 £000	2016/17 £000
		Income		
	(25,021)	Dwelling Rents		(24,682)
	(604)	Non Dwelling Rents		(590)
	(1,011)	Charges for Services/Facilities		(1,311)
	(420)	Contributions Towards Expenditure		(433)
	(27,056)			(27,016)
		Expenditure		
6,018		Repairs and Maintenance	5,988	
6,586		Supervision and Management	6,600	
325		Rents, Rates, Taxes and Other Charges	366	
6,691		Depreciation and Impairment of Fixed Assets	6,688	
120		Revenue Expenditure Funded from Capital Under Statute	0	
81		Movement in the Allowance for Bad Debts	135	
	19,821			19,777
	(7,235)	**Net Income of HRA Services as included in the Comprehensive Income and Expenditure Statement**		**(7,239)**
	206	HRA Service Share of Corporate and Democratic Core		207
	(7,029)	**Net Income of HRA Services**		**(7,032)**
		HRA Share of Operating and Expenditure included in the Comprehensive Income and Expenditure Statement:		
	(975)	(Gain) or Loss on Sale of HRA Fixed Assets		(1,487)
	2,760	Interest Payable and Similar Charges		2,753
	(131)	Interest and Investment Income		(132)
	404	Pension Interest Cost		447
	(120)	Capital Grants and Contributions		0
	(5,091)	**Surplus for the year on HRA Services**		**(5,451)**

Statement of Movement on the HRA Balance

2015/16 £000	2015/16 £000		2016/17 £000	2016/17 £000
	3,483	**Balance on the HRA at the end of the previous year**		**2,675**
5,091		Surplus or the year on the HRA Income and Expenditure Account	5,451	
(3,079)		Adjustments between accounting basis and funding under Statute (see analysis below)	(2,950)	
2,012		Reserves	2,501	
(2,673)		Transfers (to) or from Reserves	(1,952)	
(147)		Other Movements	0	
	(808)	Increase or (Decrease) in the Year on the HRA		549
	2,675	**Balance on the HRA at the end of the current year**		**3,224**

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.

2015/16 £000		2016/17 £000
(20)	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statute requirements	76
(975)	Reversal of (gain) or loss on sale of HRA non-current assets	(1,487)
(1,766)	Capital expenditure charged against revenue	(794)
558	HRA share of contributions to or from the Pensions Reserve	530
(6,674)	Transfer to/(from) the Major Repairs Reserve	(6,956)
5,798	Transfer to/(from) the Capital Adjustment Account	5,681
(3,079)	Balance on the HRA at the end of the current year	**(2,950)**

Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection fund from taxpayers and distribution to local authorities and the Government of Council Tax and Business Rates.

2015/16 Business Rates £000	2015/16 Council Tax £000	2015/16 Total £000		2016/17 Business Rates £000	2016/17 Council Tax £000	2016/17 Total £000
			Income			
0	(56,835)	**(56,835)**	Council Tax Receivable	0	(61,786)	**(61,786)**
(39,851)	0	**(39,851)**	Business Rates Receiveable	(40,410)	0	**(40,410)**
(177)	0	**(177)**	Transitional Protection Payments	251	0	**251**
			Apportionment of Previous Year's Surplus/(Deficit)			
(887)	0	**(887)**	Central Government	(239)	0	**(239)**
(160)	907	**747**	Somerset County Council	(43)	880	**837**
0	151	**151**	Police and Crime Commissioner for Avon and Somerset	0	150	**150**
(18)	67	**49**	Devon & Somerset Fire & Rescue Authority	(5)	67	**62**
(710)	135	**(575)**	Taunton Deane Borough Council	(192)	131	**(61)**
(41,803)	**(55,575)**	**(97,378)**	**Total Income**	**(40,638)**	**(60,558)**	**(101,196)**
			Expenditure			
			Demands and Shares			
19,904	0	**19,904**	Central Government	20,414	0	**20,414**
3,583	39,395	**42,978**	Somerset County Council	3,675	42,263	**45,938**
0	6,703	**6,703**	Police and Crime Commissioner for Avon and Somerset	0	6,965	**6,965**
398	3,007	**3,405**	Devon & Somerset Fire & Rescue Authority	408	3,125	**3,533**
15,923	5,862	**21,785**	Taunton Deane Borough Council	16,331	6,334	**22,665**
164	0	**164**	Costs of Collection	165	0	**165**
(2,540)	0	**(2,540)**	Increase/(Decrease) in Provision for Appeals	(2,464)	0	**(2,464)**
258	140	**398**	Write offs of uncollectable amounts	164	244	**408**
(362)	383	**21**	Increase/(Decrease) in Allowance for Impairment of Bad and Doubtful Debts	328	437	**765**
16	0	**16**	Interest on Refunds	9	0	**9**
148	0	**148**	Disregarded Amounts	232	0	**232**
37,492	**55,490**	**92,982**		**39,262**	**59,368**	**98,630**
(4,311)	**(85)**	**(4,396)**	**(Surplus)/Deficit for the year**	**(1,376)**	**(1,190)**	**(2,566)**
6,181	(1,183)	4,998	(Surplus)/Deficit Balance Brought Forward	1,870	(1,268)	602
1,870	**(1,268)**	**602**	**(Surplus)/Deficit Balance Carried Forward**	**494**	**(2,458)**	**(1,964)**
			Attributable to:			
935	0	**935**	Central Government	247	0	**247**
169	(910)	**(741)**	Somerset County Council	44	(1,773)	**(1,729)**
0	(154)	**(154)**	Police and Crime Commissioner for Avon and Somerset	0	(290)	**(290)**
19	(69)	**(50)**	Devon and Somerset Fire and Rescue Authority	5	(130)	**(125)**
747	(135)	**612**	Taunton Deane Borough Council	198	(265)	**(67)**
1,870	**(1,268)**	**602**		**494**	**(2,458)**	**(1,964)**

Notes to the Supplementary Statements

Housing Revenue Account

A Housing Stock

The Council was responsible for managing close to 5,800 dwellings during 2016/17. The stock at 31 March was made up as follows:

31 March 2016 £000		31 March 2017 £000
2,911	Houses	2,873
849	Bungalows	848
2,042	Flats and Maisonettes	2,053
5,802		**5,774**
1	Shared Equity	1
5,803		**5,775**

The change in stock was made up of 44 sales and the completion of 16 new builds.

B Value of Assets

The balance sheet value of HRA assets at 31 March 2016 and 31 March 2017 is shown below.

Movement in 2016/17	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infra-structure Assets £000	Total Property,Plant and Equipment £000	Assets Held For Sale £000	Intangible Assets £000	Total £000
Cost or Valuation								
At 1 April 2016	**229,031**	**19,380**	**198**	**1,987**	**250,596**	**482**	**753**	**251,831**
Additions	10,757	0	5	0	**10,762**	0	0	**10,762**
Revaluation increases / (decreases) recognised in the Revaluation reserve	9,954	(888)	0	0	**9,066**	0	0	**9,066**
Derecognition - Disposals	(1,576)	0	0	0	**(1,576)**	(447)	0	**(2,023)**
Reclassified (to)/from Held From Sale	(882)	0	0	0	**(882)**	882	0	**0**
At 31 March 2017	**247,284**	**18,492**	**203**	**1,987**	**267,966**	**917**	**753**	**269,636**
Accumulated Depreciation and Impairment								
At 1 April 2016	**0**	**(159)**	**(99)**	**(409)**	**(667)**	**0**	**(578)**	**(1,245)**
Depreciation charge	(6,244)	(289)	(28)	(51)	**(6,612)**	0	(75)	**(6,687)**
Depreciation written out to the Revaluation Reserve	6,244	85	0	0	**6,329**	0	0	**6,329**
At 31 March 2017	**0**	**(363)**	**(127)**	**(460)**	**(950)**	**0**	**(653)**	**(1,603)**
Net Book Value								
As at 31 March 2017	**247,284**	**18,129**	**76**	**1,527**	**267,016**	**917**	**100**	**268,033**

Movement in 2015/16	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infra-structure Assets £000	Total Property,Plant and Equipment £000	Assets Held For Sale £000	Intangible Assets £000	Total £000
Cost or Valuation								
At 1 April 2015	**217,754**	**19,150**	**137**	**1,987**	**239,028**	**634**	**740**	**240,402**
Additions	11,197	0	61	0	**11,258**	0	13	**11,271**
Revaluation increases / (decreases) recognised in the Revaluation reserve	1,570	230	0	0	**1,800**	0	0	**1,800**
Derecognition - Disposals	(1,087)	0	0	0	**(1,087)**	0	0	**(1,087)**
Derecognition - Other	(66)	0	0	0	**(66)**	(489)	0	**(555)**
Reclassified (to)/from Held From Sale	(337)	0	0	0	**(337)**	337	0	**0**
At 31 March 2016	**229,031**	**19,380**	**198**	**1,987**	**250,596**	**482**	**753**	**251,831**
Accumulated Depreciation and Impairment								
At 1 April 2015	**0**	**(374)**	**(83)**	**(358)**	**(815)**	**0**	**(504)**	**(1,319)**
Depreciation charge	(6,263)	(287)	(16)	(51)	**(6,617)**	0	(74)	**(6,691)**
Depreciation written out to the Revaluation Reserve	6,263	502	0	0	**6,765**	0	0	**6,765**
At 31 March 2016	**0**	**(159)**	**(99)**	**(409)**	**(667)**	**0**	**(578)**	**(1,245)**
Net Book Value								
As at 31 March 2016	**229,031**	**19,221**	**99**	**1,578**	**249,929**	**482**	**175**	**250,586**

C Value of Dwellings at 31 March 2017

The open market value of dwellings within the HRA at 31 March 2017 is £708.102m compared with the balance sheet value of £247.284m. The difference of £460.818m represents the economic cost to the Government of providing Council housing at less than open market rents.

D Rent Arrears

Rent arrears as at the end of the financial year were as follows:

31 March 2016 £000		31 March 2017 £000
544	Rent Arrears	**715**
(251)	Provision for Bad Debts	(251)
293	**Anticipated Collectable Arrears**	**464**
2.2%	Arrears as % of Gross Rent Income	1.9%

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 0.99% (0.75% in 2015/16) of available properties were vacant. Average weekly rents were £82.08, a decrease of £0.86 (-1.04%) 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.

2015/16 £000		2016/17 £000
5,064	**Balance as at 1 April**	**6,176**
6,674	Transfer from Revenue to Major Repairs Reserve	6,956
(5,562)	Financing of HRA Capital Expenditure	(8,541)
6,176	**Balance as at 31 March**	**4,591**

H Revenue Expenditure funded from Capital under Statute

The following items of capital expenditure were charged to the HRA:

2015/16 £000		2016/17 £000
120	Capital Expenditure	0
120	**Total**	**0**

I Total Capital Expenditure and Receipts

2015/16 £000		2016/17 £000
	HRA Capital Expenditure	
11,197	Dwellings	10,757
13	Intangible Assets	0
61	Vehicles, Plant and Equipment	5
120	Revenue Expenditure funded from Capital under Statute	0
11,391		**10,762**
	Financed By	
366	Capital Receipts	684
157	Government Grants and Contributions	0
1,766	Contribution from Revenue	744
5,562	Major Repairs Reserve	8,541
3,540	Borrowing	793
11,391		**10,762**

The table below shows the amount of capital receipts received by the HRA:

2015/16 £000		2016/17 £000
2,665	Dwellings	3,568
(49)	Administrative Cost of Sales	(57)
2,616		**3,511**

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 £71,502 (2015/16 £146,313) included within management expenditure, which reflects the Current Service Costs of the Pension Scheme, in accordance with IAS19. These costs are currently notional and do not represent real cash outflows. Within the Housing Revenue Account these costs are negated by a contribution from the pension reserve.

Collection Fund

K Council Tax

The Council's tax base for 2016/17, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply), converted to an equivalent number of Band D dwelling, was calculated as follows:

Band	Number of Taxable Dwellings after Discount	Ratio	Band D Equivalent Dwellings
A (Disabled Reduction)	7.17	5/9	3.98
A	4,343.33	6/9	2,895.55
B	11,957.37	7/9	9,300.18
C	8,476.08	8/9	7,534.29
D	6,439.65	9/9	6,439.65
E	5,332.35	11/9	6,517.32
F	3,188.52	13/9	4,605.65
G	1,466.44	15/9	2,444.07
H	63.75	18/9	127.50
	41,274.66		**39,868.19**
Less adjustment for Non-Collection of Rates			(795.33)
Council Tax Base			**39,072.86**

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 2017 was £103,428,427 (31 March 2016 £103,025,068). The standard national non-domestic multiplier for the year was £0.497 (2015/16 £0.493); the national non-domestic small business multiplier for the year was £0.484(2015/16 £0.480).

M Somerset Business Rates Pool

As part of the Business Rates Retention system the Government introduced a system of Levies and Safety Nets. Growth is limited by a Levy, which pays for a national Safety Net for authorities whose Business Rates base declines by more than 7.5%. The Levy rate can be reduced by being part of a Business Rates Pool. The Somerset Business Rates Pool was established with effect from 1st April 2015. This Council is a member of the Pool which consists of five other Districts and Somerset County Council and has resulted in a Pool Levy rate of 7.5% (opposed to 50.0%) enabling the council to retain more of the proceeds from growth. The retained levy is allocated across the pool members in accordance with the Pooling Agreement. Taunton Deane Borough Council's share of the retained levy for 2016/17 was £218k.

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 where 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 Council 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 the Council'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 in 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 council tax and non-domestic rates collected by the Council, along with payments to precepting authorities and the national pool of non-domestic rates, as well as into it's own general fund.

Collection Fund Adjustment Account
The collection find 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.

Creditors
Amounts owed by the Council at the balance sheet date in respect of goods and services received before the end of the financial year.

Debtors
Amounts owed to the Council 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.

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.

Finance Lease
A lease that transfers substantially all of the rewards of ownership of a fixed asset to the lessee.

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.

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.

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 Council. 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. 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 Council 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 Assets Held for Sale.

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.

Support Service Recharges
The allocation of the costs of back office functions such as Accountancy, HR or ICT etc. to front line services.

Tangible Assets
Tangible assets that yield benefits to local authority and the services it provides for a period of more than one year.

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.

Corporate Governance Committee Forward Plan

31/07/2017, Report:Going Concern Assesment
Reporting Officers:Jo Nacey,Paul Fitzgerald

31/07/2017, Report:Audit Findings Report
Reporting Officers:Kevin Henderson

31/07/2017, Report:Statement of Accounts
Reporting Officers:Jo Nacey

18/09/2017, Report:SWAP Internal Audit - Progress Update
Reporting Officers:Alastair Woodland

18/09/2017, Report:Corporate Risk Management Update
Reporting Officers:Richard Doyle

18/09/2017, Report:Corporate Governance Action Plan
Reporting Officers:Richard Doyle

18/09/2017, Report:RIPA(Regulation of Investigatory Powers Act) Inspection Report
Reporting Officers:Bruce Lang

18/09/2017, Report:Overdue high priority SWAP Audit Recommendations
Reporting Officers:Richard Doyle

04/12/2017, Report:Grant Thornton - External Audit - Annual Audit Letter 2016/17
Reporting Officers:Kevin Henderson

04/12/2017, Report:Grant Thornton - External Audit Update
Reporting Officers:Kevin Henderson

04/12/2017, Report:SWAP Internal Audit - Progress Report 2017/18
Reporting Officers:Alastair Woodland

04/12/2017, Report:Health and Safety Six Monthly update
Reporting Officers:Catrin Brown

01/03/2018, Report:Powys Counter Fraud Partnership Update Report
Reporting Officers:Paul Carter

19/03/2018, Report:Grant Thornton - Audit Plan
Reporting Officers:Rebecca Usher

19/06/2018, Report:Health and Safety Six Monthly Update
Reporting Officers:Catrin Brown

Report:Review of Financial Regulations
Reporting Officers:Jo Nacey

Report:RIPA(Regulation of Investigatory Powers Act) Inspection Report Sept 2018

Reporting Officers:Bruce Lang