



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 28 September 2016 at 18:15.

Agenda

- 1 Apologies.
- 2 Public Question Time.
- 3 Declaration of Interests
To receive declarations of personal or prejudicial interests, in accordance with the Code of Conduct.
- 4 Assessment of Going Concern. Report of the Finance Manager (attached).
Reporting Officer: Jo Nacey
- 5 Grant Thornton External Audit - External Audit Progress Update. Report of the Auditor and Audit Manager (attached).
Reporting Officers: Peter Barber
Kevin Henderson
- 6 Grant Thornton External Audit - External Audit Findings. Report of the External Auditors (attached).
Reporting Officers: Peter Barber
Kevin Henderson
- 7 Approval of Statement of Audited Accounts. Report of the Finance Manager and Principal Accountant (attached).
Reporting Officers: Jo Nacey
Sue Williamson
- 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

13 October 2016

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

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

Corporate Governance Committee Members:-

Councillor A Sully	(Chairman)
Councillor J Blatchford	(Vice-Chairman)
Councillor C Booth	
Councillor N Cavill	
Councillor D Cossey	
Councillor A Govier	
Councillor T Hall	
Councillor J Horsley	
Councillor J Hunt	
Councillor S Nicholls	
Councillor J Reed	
Councillor R Ryan	
Councillor Miss F Smith	
Councillor C Tucker	
Councillor D Webber	

Usual Declarations of Interest by Councillors

Corporate Governance Committee

- Members of Somerset County Council – Councillors Govier and Hunt.
- Councillor Hall – Director of Southwest One

Taunton Deane Council

Corporate Governance Committee – 28 September 2016

Assessment of Going Concern Status

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

Report Author: Jo Nacey, Finance Manager and Deputy S151 Officer

1 Purpose of the Report

- 1.1 To inform the Audit Committee of the S151 Officer's (Director of Operations) assessment of the Council as a "going concern" for the purposes of producing the Statement of Accounts for 2015/16.

2 Recommendations

- 2.1 Members are requested to note the outcome of the assessment made of the Council's status as a "going concern" for the purposes of the draft Statement of Accounts for 2015/16.

3 Risk Assessment

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

- 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 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 Where the “going concern” concept is not the case, 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 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. In response 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 Code of Practice on Local Authority Accounting for 2015/16 (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.

Each of the above is considered in more detail below.

5 The Council’s Current Position

- 5.1 The challenges the Council faces in setting a balanced budget are still substantial 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 An underspend for 2015/16 of £0.280m (2.07%) was reported to the Executive in July 2016. As at 31 March 2016 the Council held a General Reserves Balance of £2.113m (minimum level is set at £1.6m) and held Earmarked Revenue Reserves totalling £16.9m. The level of earmarked reserves is reviewed annual basis.
- 6.2 For 2016/17 the Council set a balanced budget which included £0.135m of identified savings and did not require the use of reserves to support ongoing spending. Only 10% of New Homes Bonus is used to support revenue spending on services. This reflects the Council’s priority of using New Homes Bonus funds for Growth and Economic Development.

Housing Revenue Account

- 6.3 An underspend for 2015/16 of £0.476m was reported to the Executive in July 2016. As at 31 March 2016 the Council held an HRA Reserve Balance of £2.674m (minimum level is set at £1.8m). In addition there are HRA Earmarked Reserves totalling £4.895m to support specific issues.
- 6.4 A number of largely external changes meant that a full refresh was needed for the HRA 30 year Business Plan. The revised plan was approved in July 2016.

7 The Council's Projected Financial Position (Revenue)

General Fund

- 7.3 The Council is forecasting a budget gap for 2017/18 of £527k, which grows in future years to £2.3m by 2020/21. The approach to meeting the savings targets will be developed during the summer 2016. Fundamental to this will be decisions taken on JMASS Phase 2 business case options and the transformation programme targets agreed through this process. Members were presented with the business case options in July 2016. (See 13.2)
- 7.4 It is anticipated that transformation will need to address a significant proportion of the targets. Other suggested areas to be considered for review / to be assigned targets include: Savings Plans for services, income generation ideas including commercial activities, review of fees and charges, 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.

Housing Revenue Account

- 7.1 The new 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

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

- 8.1 Details of the capital outturn for 2015/16 were reported to the Executive in July 2016. The report highlighted that the gross general fund capital spend was £7.244m and HRA capital spend totalled £11.391m. Due to the timing of spend, £9.976m was carried forward to 2016/17. A net underspend of £0.125m was reported on the overall General Fund Capital Programme.
- 8.2 The General Fund Capital programme has approved capital spending in future years of £12.465m and the HRA Capital Programme has committed approved capital spending of £15.004m.

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

- 9.1 The financial overview included in the draft Statement of Accounts for 2015/16 includes reference to the Council's Balance Sheet as at 31 March 2016 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 £198m and are significantly reduced by the inclusion of the pension scheme liability of £78m. Contributions to the pension scheme have been increasing to meet this liability over the longer term. The current usable reserves balance stands at £42.622m (Usable Capital Receipts £8.275m, Capital Grants

Unapplied £1.581m, Earmarked Reserves £21.803m (GF and HRA), General Reserve £2.113m and HRA Reserves £8.850m).

10 The Council's Treasury Arrangements

- 10.1 The Council maintains cash-flow projections, which are regularly updated to reflect changes to our capital spending programme. The Council has external debt totalling £89.500m, and has investments totalling £21.093m. Of the total investments 47% was held in highly liquid investments with £11.078m 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 Emerging Risks

13.1 NHS claims for Business Rates Discount

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. Although Taunton Deane have not received a claim we are mindful that any such claim could be material if upheld. We are therefore keeping a watching brief on developments elsewhere and following the legal opinions which are currently divided.

13.2 Transformation and the Business Cases for change

Both Taunton Deane and West Somerset Councils have agreed to progress the establishment of a new merged authority. We believe this will bring savings and resilience for both communities. It is early in the process but offers a positive outlook to the future financial position and our ability to close the budget gap, at the same time as continuing our ambition to champion development and growth.

14. 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 until at least September 2017 ie. One year from expected opinion on the Council's 2015/16 financial statements". 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 There is no direct contribution to the Corporate Priorities – this is a governance matter.

16 Finance / Resource Implications

- 16.1 The financial implications are given in this report.

17 Legal Implications

- 17.1 There are no implications in respect of this report.

18 Environmental Impact Implications

- 18.1 There are no implications in respect of this report.

19 Safeguarding and/or Community Safety Implications

- 19.1 There are no implications in respect of this report.

20 Equality and Diversity Implications

- 20.1 There are no implications in respect of this report.

21 Social Value Implications

- 21.1 There are no implications in respect of this report.

22 Partnership Implications

- 22.1 There are no implications in respect of this report.

23 Health and Wellbeing Implications

- 23.1 There are no implications in respect of this report.

24 Asset Management Implications

- 24.1 There are no implications in respect of this report.

25 Consultation Implications

- 25.1 There are no implications in respect of this report.

Contact Officers

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Taunton Deane Borough Council

Corporate Governance Committee 19 September 2016

External Audit – Progress Report and Update (Year end 31 March 2016)

This is the responsibility of Executive Councillor Richard Parrish

Report Author: Jo Nacey, Finance Manager

1 Purpose of the Report

- 1.1 This is a regular update report for Members by our external auditors, Grant Thornton. Specifically the report provides an update in relation to their work for the 2015/16 financial year and also provides an update in relation to emerging national issues.

2 Recommendations

- 2.1 Members are requested to note the update report.

3 Risk Assessment

Risk Matrix

Description	Likelihood	Impact	Overall
The details of any specific risks identified will be contained in the attached report			

4 Background and Full details of the Report

- 4.1 Each year our external auditors, Grant Thornton, are required to carry out prescribed audit work and this report provides a useful progress update on the work undertaken to date.
- 4.2 Additionally, the report shares headlines on some national issues that may have an impact upon the Council.

5 Links to Corporate Aims / Priorities

- 5.1 There are no direct implications.

6 Finance / Resource Implications

- 6.1 There are no direct implications.

7 Legal Implications

7.1 There are no legal implications from this report.

8 Environmental Impact Implications

8.1 There are no direct implications.

9 Community Safety Implications

9.1 There are no direct implications.

10 Equality and Diversity Implications

10.1 There are no direct implications.

11 Social Value Implications

11.1 There are no direct implications.

12 Partnership Implications

12.1 There are no direct implications.

13 Health and Wellbeing Implications

13.1 There are no direct implications.

14 Asset Management Implications

14.1 There are no direct implications.

15 Consultation Implications

15.1 There are no direct implications.

List of Appendices

Appendix A	Grant Thornton – Audit Update
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Corporate Governance Committee Taunton Deane Borough Council Progress Report and Update Year ended 31 March 2016

Sept 2016

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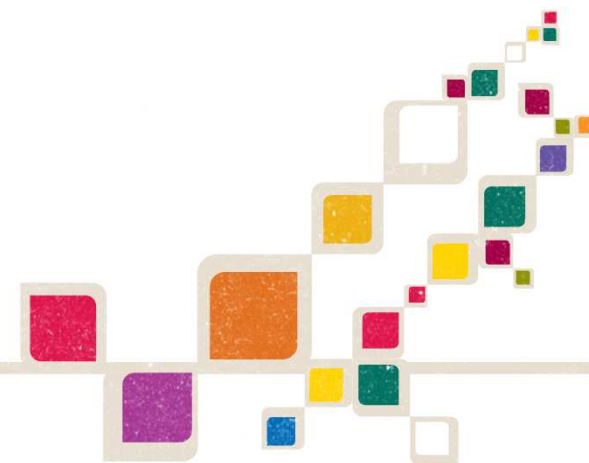
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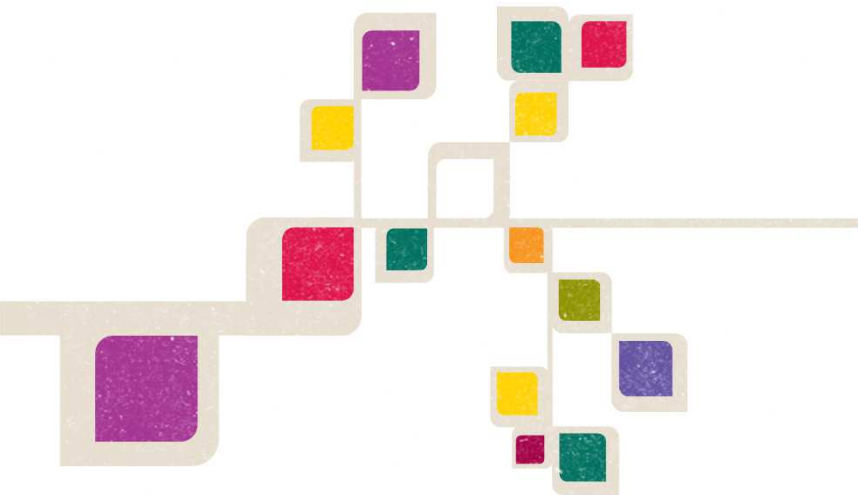
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.



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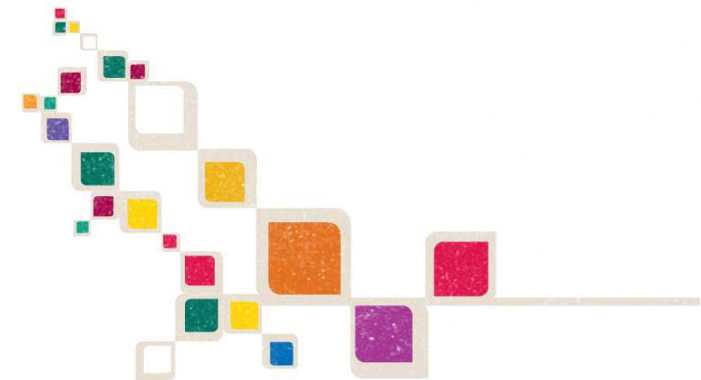
Introduction

This paper provides the Corporate Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

Members of the Corporate Governance Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

- Building a successful joint venture company (April 2016) <http://www.grantthornton.co.uk/en/insights/building-a-successful-joint-venture-company/>
- Advancing closure (July 2016) <http://www.grantthornton.co.uk/en/insights/advancing-closure-the-benefits-to-local-authorities>


If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.



Progress at 8 September 2016



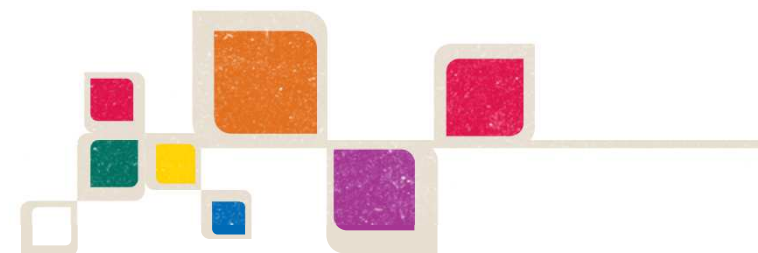
 **Progress against plan**
On track

 **Opinion and VfM conclusion**
Plan to give before deadline of 30 September 2016

 **Outputs delivered**
Fee letter, Progress Reports, delivered to plan

2015/16 work	Planned Date	Complete?	Comments
Fee letter	April 2015	Yes	The fee letter was presented at the June 2015 meeting
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2015-16 financial statements.	January – February 2016	Yes	The Audit Plan was presented at the March 2016 meeting.
Interim accounts audit Our interim fieldwork visit plan included: <ul style="list-style-type: none"> • updated review of the Council's control environment • updated understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	January- February 2016	Yes	As reported at the March meeting, there were no issues to bring to the Committee's attention.
Final accounts audit Including: <ul style="list-style-type: none"> • audit of the 2015-16 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion • review of the Council's disclosures in the consolidated accounts against the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 	July - August	In progress	Our audit started on 4 July 2016 as planned. Most of our work was completed by the end of July. However, we were asked to defer our review of the Collection Fund to the beginning of September as it had to be re-worked. At the time of writing, our work on the Collection Fund is in progress. There is one further area of work in progress and this relates to the valuation of land and buildings and investment properties.

Progress at 8 September 2016



2015/16 work	Planned Date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work has changed and is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".</p> <p>The guidance confirmed the overall criterion as; "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".</p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties 	March - July	Yes	The results of our initial risk assessment were reflected in the Audit Plan, whilst the results of our detailed work are reported in the Audit Findings Report, which is on the agenda.
<p>Other areas of work</p> <p>Housing benefit certification</p>	September – October 2016	Not yet due	The deadline for certification of the housing benefit return is 30 November 2016. We have undertaken some early work, but we will not conclude our work until October 2016.

Grant Thornton Sector Issues



Brexit: What happens next and what does it mean for you?

The people of the UK have made a decision to leave the EU. What happens next - and the implications for businesses and organisations in the UK - is less clear.

We have produced an analysis of what we know about the mechanics of leaving the EU, our assessment of some of the external factors that may affect organisations over the coming months and years, and a summary of the different models for trading relationships outside the EU. This can be found on our website and we have attached copies to this report.

In thinking about the impact organisations will want to consider not only legal and regulatory changes but also market reactions, consumer and business behaviours, and the wider political and economic environment. The Council will have a role in both shaping its own response and in helping organisations in the City respond to a changing environment. We can expect three broad phases of reaction to Brexit:

- initial volatility
- medium term uncertainty and instability
- longer term transition

The impact of this will be different for every organisation. In looking at the threats and opportunities these phases create, and planning how the Council can create and protect value, you may wish to consider the short, medium and long term implications for issues like people and talent, strategic ambitions, financing, risk, operations and protecting investment.

We believe that in the coming weeks and months, dynamic organisations have a critical role to play in helping to shape the future of Britain. Grant Thornton is leading a campaign which explores how we can build a vibrant economy. You can find out more here: <http://vibranteconomy.co.uk/>

We would welcome views on what the priorities should be for government and the UK to create a new economy outside the EU.

Emerging issues

How is the Council responding to the outcome of the EU referendum?

Financial sustainability of local authorities: capital expenditure and resourcing

National Audit Office

According to the NAO, Local authorities in England have maintained their overall capital spending levels but face pressure to meet debt servicing costs and to maintain investment levels in their existing asset bases.

Since 2010-11, local authorities have faced less pressure on their resources to support capital expenditure as compared to revenue. Although local authorities' revenue spending power fell by over 25 per cent in real terms from 2010-11 to 2015-16, the NAO estimates that capital grants to authorities marginally increased from 2010-11 to 2014-15, (excluding education).

Capital spending by authorities increased by more than five per cent in real terms overall between 2010-11 and 2014-15, but this is uneven across local authorities and service areas. Almost half of authorities reduced their capital spending. Most service areas saw an increase in capital spend with the exception of culture and leisure: capital spending fell by 22 per cent overall in this area.

The NAO's report, published on 15 June, found that authorities face a growing challenge to continue long-term investment in their existing assets. Total spending has remained stable, but increasingly capital activities are focused on 'invest to save' and growth schemes that cover their costs or have potential to deliver a revenue return. Many areas of authorities' asset management programmes do not meet these criteria and are now seen as a lower priority.

The report also notes that local authorities' debt servicing costs have grown as a proportion of revenue spending as revenue resources have fallen. A quarter of single-tier and county councils now spend the equivalent of 10 per cent or more of their revenue expenditure on debt servicing, with metropolitan district councils being particularly exposed.

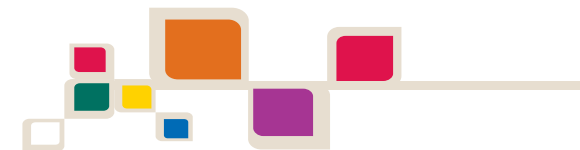
According to the NAO, DCLG has rightly focused on revenue issues in the 2015 Spending Review but in future reviews will need to focus more on capital. The Department is confident from its engagement with authorities that revenue pressures are their main concern, however the NAO's analysis demonstrates that capital costs exert significant and growing pressure on revenue resources.

The full report is available at:

<https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-capital-expenditure-and-resourcing/>

Grant Thornton Technical update





Accounting and audit issues

Code of Practice on Local Authority Accounting in the United Kingdom 2016/17

CIPFA/LASAAC has issued the Local Authority Accounting Code for 2016/17. The main changes to the Code include:

- the new measurement requirements at depreciated replacement cost for the Highways Network Asset (HNA), which doesn't apply to Taunton Deane Borough Council and
- the requirement for local authorities to report in the Comprehensive Income and Expenditure Statement on the same basis as they are organised and report in the year (ie. no longer following SERCOP). This is accompanied by the introduction of a new Expenditure and Funding Analysis which provides a reconciliation between the way local authorities budget and report during the year and the Comprehensive Income and Expenditure Statement.



Accounting and audit issues

Flexible use of capital receipts

DCLG has issued a [Direction and Statutory Guidance](#) on the flexible use of capital receipts to fund the revenue costs of reform projects. The direction applies from 1 April 2016 to 31 March 2019.

The Direction sets out that expenditure which 'is incurred by the Authorities that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners' can be treated as capital expenditure.

Capital receipts can only be used from the disposals received in the years in which the flexibility is offered rather than those received in previous years.

Authorities must have regard to the Statutory Guidance when applying the Direction.

Grant Thornton Publications and events



Website Relaunch

We have recently launched our new-look website. Our new homepage has been optimised for viewing across mobile devices, reflecting the increasing trend for how people choose to access information online. We wanted to make it easier to learn about us and the services we offer.

You can access the page using the link below – <http://www.grantthornton.co.uk/industries/public-sector/>



Advancing closure: the benefits to local authorities

With new regulation bringing forward the required publishing date for accounts local authorities must consider the areas needed to accelerate financial reporting.

In February 2015, regulations were laid before parliament confirming proposals to bring forward the date by which local authority accounts must be published in England. From 2017-18, authorities will need to publish their audited financial statements by 31 July, with Wales seeking to follow a similar approach over the next few years.

Many local government bodies are already experiencing the benefits of advancing their financial reporting processes and preparing their accounts early, including:

- raising the profile of the finance function within the organisation and transforming its role from a back office function to a key enabler of change and improvement across the organisation;
 - high quality financial statements as a result of improved quality assurance arrangements;
 - greater certainty over in-year monitoring arrangements and financial outturn position for the year, supporting members to make more informed financial decisions for the future;
 - improved financial controls and accounting systems, resulting from more efficient and refined financial processes; and
 - allowing finance officers more time to focus on forward looking medium term financial planning and transformational projects, to address future financial challenges.
- While there is no standard set of actions to achieve faster close there are a number of consistent key factors across the organisations successfully delivering accelerated closedown of their accounts, which our report explores in further details:
- Enabling sustainable change requires committed leadership underpinned by a culture for success
 - Efficient and effective systems and processes are essential
 - Auditors and other external parties need to be on board and kept informed throughout

Grant Thornton reports



Advancing closure
Transforming the financial reporting of
local authority accounts



<http://www.grantthornton.co.uk/en/insights/advancing-closure-the-benefits-to-local-authorities/>



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Taunton Deane Borough Council

Corporate Governance Committee – 28 September 2016

External Audit 2015/16 – Audit Findings Report

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

Report Author: Jo Nacey, Finance Manager

1 Executive Summary

This short covering report introduces the annual report of our external auditor Grant Thornton outlining their findings from their audit of our Statement of Accounts, and our arrangements to secure Value for Money.

- 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 2015/16, 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
<i>Arrangements for financial control, accounting and reporting are robust, and Statement of Accounts subject to external audit</i>	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 2015/16 was signed off by the Council's S151 Officer in June 2016 – within the statutory deadline, 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 some weaknesses in our approach to valuations in relation to materiality. Following discussions with the Auditor our Valuer revisited the year end balances to ensure that they reflect the in-year changes in the market. As a result of this we have increased the value of our Council House Stock by £5.259m and the value of our “other land and buildings” by £2.315m. We are discussing our approach with our Valuer to ensure that we do not need to make significant adjustments to our carrying values at year end, in the future. As stated in the audit report this was largely due to a difference in approach to materiality applied to possible movements in values.
- 6.2 At the same time, we are mindful that indices relating to market fluctuations which may be appropriate for other areas in the South West are not always relevant to Taunton Deane.
- 6.3 In preparing the unaudited accounts we included a “prior year adjustment” in respect of the Business Rates Collection Fund, as a review of Collection Fund debtors indicated there was an error in the previous year’s accounts. A significant review of the Collection Fund accounts going back to 2013/14 has since been undertaken during the summer, with external support and advice from a Chartered Institute of Public Finance and Accountancy (CIPFA) brought in to help ensure the reasons for the error were fully identified and addressed. This detailed review identified the scale of the error in previous years was not as large as previously estimated in the unaudited accounts, but conversely the amount of income reported in the draft accounts for 2015/16 had been overstated.
- 6.4 Investigation showed that there were two main issues to be addressed centred on the understatement of the debtors position (i.e. ratepayers who owed money to the Collection Fund) and the overstatement of business rates income (business rates income due to the Collection Fund). This arose through misinterpretation of the financial information reported from the Revenues System (Civica). Clarity over the correct reports to be used and extraction of the necessary data from those reports has been obtained from Civica to ensure the correct interpretation of the financial information going forward. There were a small number of other minor corrections and adjustments to be made.
- 6.5 The impact of the reduction in business rates income has been mitigated in part through updating the approach to calculation the provision for appeals, which also addressed a concern raised by the auditor around the original method used.
- 6.6 The Opening Deficit in the unaudited Draft Accounts incorporated a prior year adjustment of £2.383m to the gross Collection Fund Deficit (of which £953k (40%) is attributable to TDBC) in the Council’s accounts. Following the further detailed review, and revision of the provision, the revised total adjustment the Collection Fund is £1.448m (of which £579k (40%) is attributable to TDBC) in the Council’s accounts. Of this sum, £1.235m has been reported as a revised prior year adjustment in the Collection Fund deficit brought forward, with a further net £213k reduction to Collection Fund in 2015/16 in the restated accounts. The impact on the Council’s General Fund has been mitigated through a reduction in levy payable to Government and through adjusting the Business Rates Smoothing Reserve balance, so there is no impact on General Reserves.

7 Legal Implications (if any)

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

4 Environmental Impact Implications

4.1 None

5 Safeguarding and/or Community Safety Implications

5.1 None

6 Equality and Diversity Implications

6.1 None

7 Social Value Implications

7.1 None

8 Partnership Implications

8.1 None

9 Health and Wellbeing Implications

9.1 None

10 Asset Management Implication

10.1 None

11 Consultation Implications

11.1 None

Democratic Path:

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

Reporting Frequency: Annually

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The Audit Findings Report for Taunton Deane Borough Council

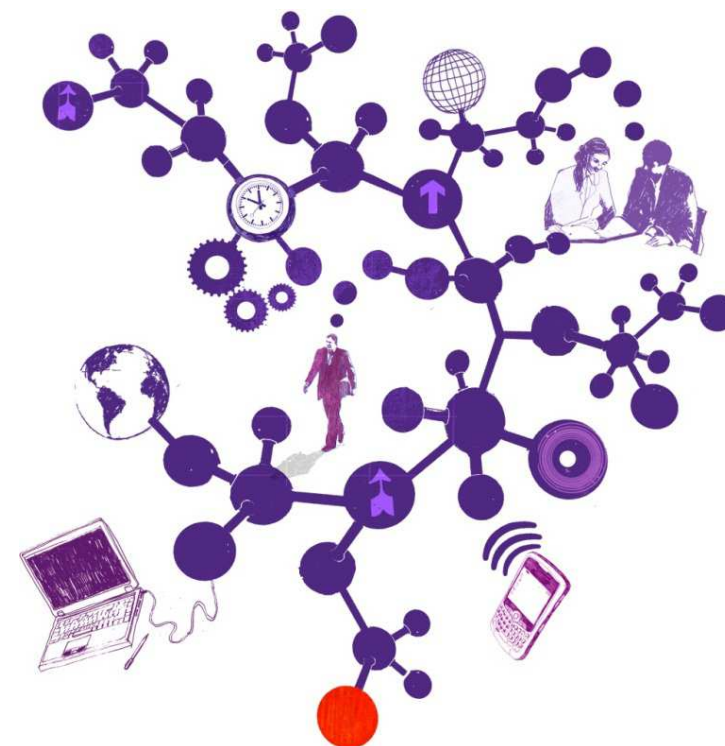
Year ending 31 March 2016

13 September 2016

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13 September 2016

Dear Members of the Corporate Governance Committee

Audit Findings for Taunton Deane Borough Council for the year ending 31 March 2016

This Audit Findings report highlights the key findings arising from the audit for the benefit of those charged with governance (in the case of Taunton Deane Borough Council, the Corporate Governance Committee), 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 auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), 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
Engagement Lead

Chartered Accountants

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Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. 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 [group and] Council's financial statements for the year ended 31 March 2016. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 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 consider other information published together with the audited financial statements, whether it is consistent with the financial statements and in line with required guidance.

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 relevant period.

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 3 March 2016.

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

- collection fund
- review of the final version of the financial statements (which we only received on 13 September 2016)
- obtaining and reviewing the management letter of representation
- review of the final version of the Annual Governance Statement and
- updating our post balance sheet events review, to the date of signing the opinion.

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

Key audit and financial reporting issues

Financial statements opinion

There have been two adjustments affecting the Council's reported financial position (surplus on provision of services). The draft financial statements for the year ended 31 March 2016 recorded a surplus of £5,954,000, which increased to £6,043,000.

Total comprehensive income and expenditure has increased by £7,663,000, mainly due to material changes in asset valuations. This also impacts on the balance sheet as property, plant and equipment has increased by £7,574,000.

Earmarked reserves have reduced by £779,000 as a result of an error identified by management in relation to the collection fund. A prior period adjustment has been included in the accounts to correct this error.

We have also recommended a number of adjustments to improve the presentation of the financial statements. Details are recorded in section two of this report

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

- the collection fund was amended post submission of the draft accounts, which had a significant impact on the completion of our audit;
- potential movements in land and buildings valuations were not adequately considered.

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).

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 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.

Our work has not identified any issues with the Annual Governance Statement.

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

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

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 2016. 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 Director – Operations.

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 Director – Operations 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
September 2016

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 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 £1,610,000 (being 2% of gross revenue expenditure). We have considered whether this level remained appropriate during the course of the audit and have made no changes to our overall materiality .

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 £80,000. This remains the same as 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. We have added the disclosure of members' interests sine we presented our audit plan to you.

Balance/transaction/disclosure	Explanation	Materiality level
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£5,000
Disclosure of members' allowances	Due to public interest in these disclosures and the statutory requirement for them to be made.	£5,000
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.	£5,000

Audit findings against significant risks

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

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

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>We do consider that there is a potential risk in respect of income recharged to West Somerset District Council for the recharge of service costs.</p>	<p>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:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Taunton Deane Borough Council, mean that all forms of fraud are seen as unacceptable. <p>We have reviewed the basis on which recharges are made to confirm that this is in line with the agreement and we also reviewed the charges made by Taunton Deane Borough Council, as included in income ,match the expenditure included in the operating expenses of West Somerset District Council.</p>	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management over-ride of controls</p> <p>Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>We have:</p> <ul style="list-style-type: none"> • reviewed entity level controls • tested journal entries • reviewed accounting estimates, judgements and decisions made by management • reviewed unusual significant transactions 	<p>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 entries has not identified any significant issues.</p>

Audit findings against significant risks continued

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
3.	<p>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.</p>	<ul style="list-style-type: none"> • 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. 	<p>With one exception, our audit work has not identified any issues in respect of the valuation of property, plant and equipment.</p> <p>In the valuer's report it was stated that there had been no material movements in asset value since the valuation was undertaken. However, the valuer uses a much higher level of materiality (10-15%) than is acceptable for accounts purposes. We made reference to appropriate indices, which suggested that there had been material (in accounting terms) movements since the various valuations were undertaken as part of the rolling programme.. As a result, we asked that the finance team and the valuer discuss this issue.</p> <p>In response, the valuer examined the carrying values of land and buildings and has increased them by £7,574,000. Around two thirds of this related to council dwellings, which the valuer has assessed as having increased in value by around £5.2m since the valuation dated 1 April 2016. At the time of writing, we still need to review these changes.</p>

Audit findings against significant risks continued

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
4.	<p>Valuation of surplus assets and investment property and fair value disclosures under IFRS 13</p> <p>The CIPFA Code of Practice has implemented IFRS 13 for the 2015/16 financial statements. The Council is required to include surplus assets within property, plant and equipment in its financial statements at fair value, as defined by IFRS13.</p> <p>The basis on which fair value is defined for investment property is also different to that used in previous years.</p> <p>This represents a significant change in the basis for estimation of these balances in the financial statements.</p> <p>There are also extensive disclosure requirements relating to financial assets and liabilities under IFRS 13 which the Council needs to comply with.</p>	<ul style="list-style-type: none"> • 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 valuer about the basis on which the valuation was carried out and challenge of 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 • Review of the disclosures made by the Council in its financial statements to ensure they were in accordance with the requirements of the CIPFA Code of Practice and IFRS 13. 	<p>From the work undertaken, we are satisfied that surplus assets and investment property has been valued in accordance with IFRS13 and appropriate disclosures have been made.</p>
5.	<p>Valuation of pension fund net liability</p> <p>The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.</p>	<ul style="list-style-type: none"> • Documentation of the key controls that were put in place by management to ensure that the pension fund liability was not materially misstated. • Walkthrough of the key controls to assess whether they were implemented as expected and mitigate the risk of material misstatement in the financial statements. • 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 asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. 	<p>From the work undertaken, we are satisfied that the pension fund net liability is reasonably satisfied.</p>

Audit findings against other risks

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

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Employee remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • 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 • trend analysis of payroll costs. 	Our audit work has not identified any significant issues in relation to the risk identified.
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • 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 • cut off of operating expenses at the year end to ensure that creditors are recorded in the correct accounting period. 	Our audit work has not identified any significant issues in relation to the risk identified.

New issues and risks identified during the course of the audit

This section provides commentary on new issues and risks which were identified during the course of the audit and were not previously communicated in the Audit Plan

	Issue	Commentary
1.	<p>In drafting the accounts, management identified an error in the 2014/15 collection fund . As a result, a prior period adjustment was included in the 2015/16 accounts.</p> <p>Management discussed this issue with the DCLG as the issue also impacted on the annual NNDR submission. As a result of these discussions and further review of the figures contained in the 2015/16 collection fund, the statement had to be re-worked.</p>	<p>As a result of the changes that had to be made to the collection fund statement, we were asked to defer our review of the collection fund. At the time of writing, this work was still in progress.</p>

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
<p>Revenue recognition</p>	<p>Activity is accounted for in the year that it takes place, not simply when cash payments are received. In particular:</p> <ul style="list-style-type: none"> 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. Interest receivable on investments is accounted for as income 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 has been recognised but cash has not been received, a debtor 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. Council tax is accounted for on an accruals basis based on the amount due from taxpayers for the year and adjustments for earlier years not already taken into account. National non-domestic rates (NNDR) are accounted for line with The Local Government Finance Act 2012 e.g. including on the balance sheet its share of NNDR debtors and creditors. 	<p>We have reviewed the Council's policies for the recognition of revenue and found that:</p> <ul style="list-style-type: none"> appropriate policies had been used; accounting policies had been adequately disclosed; revenue had been appropriately recognised; and the policies are in accordance with proper practices. 	<p style="text-align: center;">● Green</p>

Assessment

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
Judgements and estimates	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> • useful life of property, plant and equipment • pension fund valuations and settlements • revaluations and impairments • provisions 	<p>We have reviewed the accounting areas where the Council has exercised judgement and used estimates. We found that:</p> <ul style="list-style-type: none"> • appropriate policies had been used • accounting policies had been adequately disclosed • areas where judgement had been used were supported by the work of an expert or a third party. <p>Issues relating to revaluations are covered on page 11 and are not repeated here.</p>	<p>● Amber</p>
Going concern	<p>The Director - Operations, 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.</p>	<p>We have reviewed the Council's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2015/16 financial statements.</p>	<p>● Green</p>
Other accounting policies		<p>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.</p>	<p>● Green</p>

Assessment

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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Council.
5.	Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests to banks, lenders and the counterparties for investments. This permission was granted and the requests were sent. All were returned with positive confirmation.
6.	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements
7.	Matters on which we report by exception	<ul style="list-style-type: none"> We are required to report on a number of matters by exception in a number of areas including: <ul style="list-style-type: none"> 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. We have not identified any issues we would be required to report by exception in the following areas
8.	Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Detailed work is not required as the Council does not exceed the threshold.</p>

Internal controls

The controls were found to be operating effectively and we have no matters to report to the Audit Committee.

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. We still need to review the evidence to support these changes.

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 Council dwellings were valued as at 1 April 2015. Material movements in value since the date of the valuation, meant the values disclosed in the draft accounts had to be amended.		Dr 5,259	Nil
2 Other land and buildings were valued as at 1 April 2015 or in previous years. Material movements in value since the date of the valuation, meant the values disclosed in the draft accounts had to be amended.		Dr 2,315	Nil
3 Council tax income increased	Cr 45		Cr 45
4 Non-domestic rates income increased	Cr 44		Cr 44
5 Short term debtors reduced		Cr 1,138	
6 Short term creditors reduced		Dr 257	
7 NNDR provision now based on the work undertaken by Inform CPI (an external expert)		Dr 476	
Overall impact	Cr £89	£7,169	Cr£89

Unadjusted misstatements

There are no unadjusted misstatements.

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	23	Related party transactions	The Council's working paper summarised the payments to organisations associated with Councillor and officer declarations. The totals were then reflected in the members section of note 35, but the transactions with G&L Consultancy related to an officer rather than a councillor. Also, payments to Tailored Support and Housing Services weren't included in the summary of payments made.
2 Misclassification	438	Statement of cashflows	The capital receipts figure in the cashflow was mis-stated. Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities to increase by £438,000 and investing activities decrease by £438,000.
3 Disclosure	16	Audit fees	Audit fees were overstated as included a prior year accrual
4 Disclosure	106	Grant income	Increased grant income disclosed in Note 34.

Section 3: Value for Money

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non-audit services and independence

06. 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 2015. AGN 03 identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed 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 2016 and identified the following significant risks, which we communicated to you in our Audit Plan dated 3rd March 2016.

We identified risks in respect of specific areas of proper arrangements using the guidance contained in AGN03.

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. In arriving at our conclusion, our main considerations were the Council's medium term financial plan and the Council's plan for further transformation and possible closer working with West Somerset District Council.

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 25.

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
<p>Medium term financial position The Council has a balanced financial plan for 2016/17. However, there is a cumulative shortfall of £2.5 million for the subsequent four years of the plan.</p>	<p>We reviewed the Council's medium term financial plan, including the assumptions that underpin the plan.</p>	<p>The Council reported an underspend on the general fund of £280,000 for 2015/16. A balanced budget is in place for 2016/17.</p> <p>The Council's medium term financial plan for the general fund, covering the period from 2016/17 to 2020/21, considers relevant issues and makes reasonable assumptions about income e.g. New Homes Bonus, car parking and business rates retention. Assumptions around expenditure, including inflation, were also considered to be reasonable.</p> <p>On that basis we concluded that the risk was sufficiently mitigated and that the Council has proper arrangements in place</p>
<p>Joint Management and Shared Services (JMASS) and transformation The Council has a shared services agreement with West Somerset District Council and has completed the implementation and full integration of the teams at both Councils. This has already provided significant financial savings. However, further efficiencies are required, both in terms of sharing staff and in the transformation of services.</p>	<p>We reviewed how the Council is progressing the Joint Management and Shared Services arrangement, with a particular emphasis on the transformation of services. We also reviewed the project management arrangements relating to this project.</p>	<p>Both councils continue to consider all options to identify the savings required into the medium term, including closer joint working and possible merger. Although no formal decisions have been made we are satisfied that all options continued to be considered and options clearly set out the relative merits of each proposal.</p> <p>On that basis we concluded that the risk was sufficiently mitigated and that the Council has proper arrangements in place.</p>

Progress since 1 April 2016

The two Councils prepared a high level business case setting out three options for how the councils would work together in the future to improve the financial position and, where possible improve services. The three options were to continue to work together and to continue the programme of transformation, full merger of the two councils or the councils to go their separate ways. The business case set out the benefits and disadvantages of each option and the savings to be derived.

The Scrutiny Committee considered the business case in early July and it was then considered by full Council on 26th July. Councillors voted to merge with West District Somerset Council.

Prior to consideration by the Scrutiny Committee, the two councils commissioned Local Partnerships (owned by the Local Government Association and HM Treasury) to review the business case. Local Partnerships' report was positive about the business case, but did raise a number of issues for further consideration.

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 confirm there were no fees for the provision of non audit services.

Fees

	Budget £	Actual £
Council audit	50,629	50,629
Grant certification	10,965	To be confirmed
Total audit fees (excluding VAT)	£61,594	To be confirmed

Independence and ethics

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

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

Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Communication of audit matters

Communication to those charged with governance

International Standards on Auditing 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.

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

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.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		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Ensure that possible movements in the value of land and buildings are considered at the year end bearing in mind accounts materiality rather than the valuer's materiality.	Medium	We will review the process of in-year valuations with our valuers to ensure that they are aware of the materiality level that will be applied by the auditors. We will also ensure that we provide appropriate supporting evidence of the market conditions in our particular area	30 April 2017 Finance Manager

Appendix B: Audit opinion

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

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

We have audited the financial statements of Taunton Deane Borough Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing (HRA) Income and Expenditure Statement, the 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 2015/16.

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 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 Director of Operations and auditor

As explained more fully in the Statement of the Director of Operation's Responsibilities, the Director of Operations is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, 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 and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of

whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director - Operations; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the 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 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 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 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 Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Authority and auditor

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

We are required under Section 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 to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, 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 these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. 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 to secure value for money through economic, efficient and effective use of its 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 2015, we are satisfied that in all significant respects *the Authority* has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Act and the Code.

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

Hartwell House
55 -61 Victoria Street
Bristol
BS1 6FT

September 2016



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Taunton Deane Borough Council

Corporate Governance Committee – 28 September 2016

Approval of the Statement of Accounts 2015/16

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 2015/16 is required to be approved by the Corporate Governance Committee and signed by the S151 Officer (Shirlene Adam) 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 2011 require the Statement of Accounts to be approved by a resolution of a nominated committee. The current constitutional arrangements devolve this responsibility to the Corporate Governance Committee.
- 2.2 The 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.
- 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 Statement of Accounts

- 3.1 The Statement of Accounts for 2015/16 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 2015/16.
- 3.2 In 2015/16 there were no significant changes to our accounting requirements which might have made it necessary to change the comparative financial details related to 2014/15. However, as reported in our draft accounts we have reviewed our computations relating to our Business Rates Collection fund. This has led to a restatement of the 2013/14 and 2014/15 accounts and a revision to the 2015/16

accounts from the draft accounts that were publicised in June. The details of the restatement are found in Note 2 to the accounts.

3.3 The Statement of Accounts contain four main statements reflecting the position of the Council at 31 March 2016:

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

3.4 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

3.5 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).

3.6 The total of the Council's Usable Reserves (capital and revenue combined) has increased by £7.050m in year. The largest movements are seen in the General Fund earmarked reserves, £1.643m, (principally an increase of £1.720m in the new homes bonus reserve), the HRA earmarked reserves, £2.673m, (principally transfers of £1.281m to the reserves relating to electrical and planned maintenance contracts and £0.434m to the potential bad debts reserve), the Capital Receipts Reserve £1.551m (reflecting capital receipts which have not yet been used to fund capital expenditure) and the Major Repairs Reserve, £1.112m, (reflecting funding allocated to, but not yet spent on, capital works on the Housing Stock).

3.7 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 decreasing from £2.114m to £2.113m, and HRA balances decreasing from £3.483m to £2.674m in year.

Comprehensive Income and Expenditure Statement

3.8 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.

3.9 The net Cost of Services has decreased by around £3.8m compared to the previous year's accounts. This mainly reflects a reduction in pension costs as the 2014/15 accounts included a one-off charge of £3.543m relating to the transfer of employees from West Somerset Council.

- 3.10 The Financial Outturn position for 2015/16 was reported to the Executive and Corporate Scrutiny meetings in July and August respectively. This included information relating to the Council's financial performance for the 2015/16 financial year. The reports highlighted key variances to the budget and provided explanations for these.

Balance Sheet

- 3.11 The Balance Sheet provides a snapshot of the Council's financial position as at 31 March 2016 (with restated comparatives for 31 March 2015).
- 3.12 The Balance Sheet shows that net assets have increased by £36m in 2015/16, to a balance of £198m as at March 2016. There has been a decrease of £14m in the pension scheme liability (principally as a result of actuarial re-measurements) and increases of £19m in property plant and equipment (mainly due to revaluation increases in council dwellings) and £8m in long-term investments. These are partly offset by an increase in net current liabilities of £9m.

Cashflow Statement

- 3.13 The cash flow statement summarises the flows of cash and cash equivalents into and out of the Council during the year.
- 3.14 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.
- 3.15 During the year the Council's cash and cash equivalents decreased by approximately £7.3m. This reflects the increase in long-term investments as opposed to short-term.

Housing Revenue Account

- 3.16 The Housing Revenue Account (HRA) Income and Expenditure Account shows the economic cost in year of providing housing services.
- 3.17 The HRA for 2015/16 shows that income for the year has increased from 2014/15 by £0.3m, mainly reflecting the approved increase in dwelling rents. Service Expenditure has increased by £0.4m, mainly reflecting increased costs of supervision and management.

Collection Fund

- 3.18 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. This statement reflects the restatement relating to business rates referred to in paragraph 3.2 above.
- 3.19 The presentation of the statement clearly separates the Council Tax and Business Rates movements and balances. The statement shows that the Council has collected £97.4m on behalf of ourselves, the precepting authorities and Central Government. This comprises council tax income of £55.6m and business rates income of £41.8m.

- 3.20 The statement currently shows a small surplus of £1.2m (TDBC share = £135k) in respect of Council Tax and a deficit of £1.9m (TDBC share = £747k) in respect of business rates.

4 Result of the Audit of the Statement of Accounts

- 4.1 Grant Thornton UK LLP intends to issue the Council with an “unqualified” opinion on the Statement of Accounts and the Value for Money conclusion. This is good news and means that the Auditors agree that the Accounts provide a “true and fair view” of the financial position.
- 4.2 During the audit there were a number of amendments to the Draft Accounts, particularly to correct the position on the Business Rates Collection Fund and also regarding the valuation of our assets which have been reviewed at year end. This is shown in the Audit Findings Report earlier on this agenda. These amendments now mean that we have addressed the issues which we identified in our Business Rates recalculations and the valuation issues the external auditors raised as part of their audit.

5 Legal Comments

- 5.1 There is a Statement of Responsibilities within the Statement of Accounts, which summarises responsibilities for the Council and its S151 officer. The Accounts are prepared in accordance 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.
- 5.2 The Code sets out the proper accounting practices required by section 21(2) of the Local Government Act 2003. These proper practices apply to:
- Statements of Accounts prepared in accordance with the statutory framework established by the Accounts and Audit (England) Regulations 2011
 - The audit of those accounts undertaken in accordance with the statutory framework established by section 5 of the Audit Commission Act 1998

6 Links to Corporate Aims

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

7 Environmental Implications

- 7.1 There are no environmental implications.

8 Community Safety Implications

- 8.1 There are no community safety implications.

9 Equalities Impact

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

10 Risk Management

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

11 Partnership Implications

11.1 There are no partnership implications.

12 Recommendations

Members are recommended to:

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

12.2 Approve the 2015/16 Statement of Accounts as attached to this report; then

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

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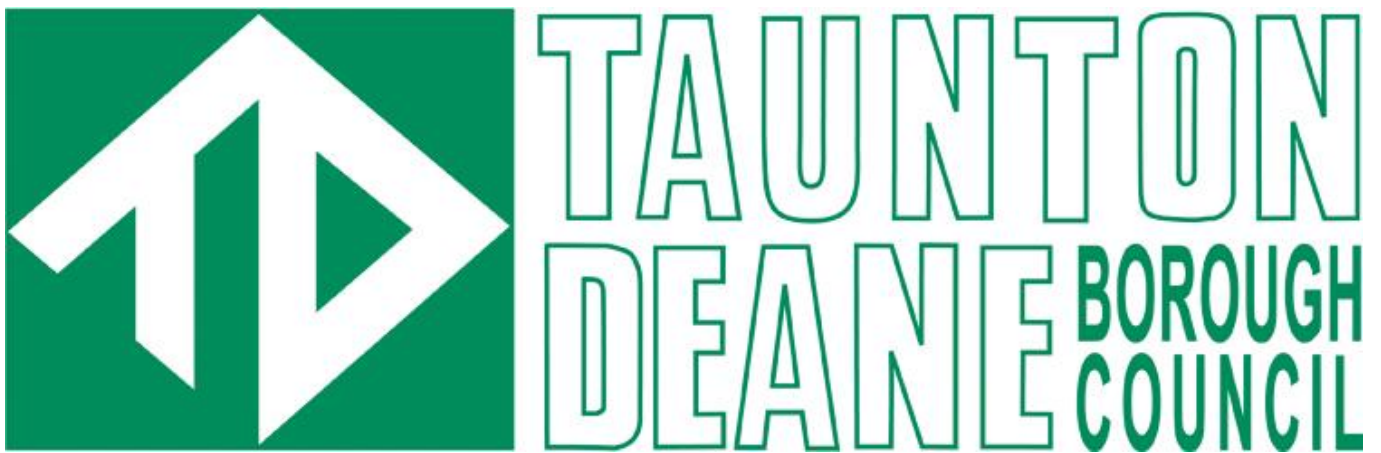
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Background Papers

Executive – 7 July 2016: Financial Outturn 2015/16

TAUNTON DEANE BOROUGH COUNCIL

STATEMENT OF ACCOUNTS 2015/16



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Narrative Report

STATEMENT BY THE DIRECTOR OF OPERATIONS

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 2016/17 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 2016/17 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 priority.

The Council publishes quarterly corporate performance information, based on a 'basket' of key performance indicators, on the '*How are we performing*' page of our website, which is available from this link:

<http://www.tauntondeane.gov.uk/irj/public/council/performances/performance?rid=/wpccontent/Sites/TDBC/Web%20Pages/Council/Performance/How%20are%20we%20performing>

Illustrations of how the Council has performed during 2015/16 are shown below:

Growth Programme

- Firepool – masterplan consulted on and outline planning application submitted, construction underway of new quality apartments (Water's Edge)
- Coal Orchard – Delivery Strategy approved for site redevelopment, Phase 2 work has commenced
- Market House – new restaurant opened and relocation of the Taunton Visitor Centre
- Parking & Access Strategy – commissioned consultants (jointly with SCC) to refresh strategy and prepare variable message sign business case
- J25 employment site – established project partnership, council resolution to progress the Local Development Order
- Monkton Heathfield – new project delivery team established, positive steps with Developers towards delivery of the Western Relief Road
- Comeytrove & Trull Urban Extension – planning application approved for 2,000 new homes, employment land, new primary school etc.

Transformation programme

- Legal Services Partnership – a tri-district legal services partnership between Mendip District Council, West Somerset District Council and Taunton Deane Borough Council was launched in 2015/16. The partnership will deliver savings to each partner and offer additional resilience and access to expertise to the Council.
- Building Control Partnership - during 2015/16 we completed work to launch a four-district building control partnership. The partnership involves Mendip District Council, West Somerset District Council, Taunton Deane Borough Council and Sedgemoor District Council and went live in April 2016.
- Staff Terms and Conditions – a review was undertaken to identify additional ongoing savings. Changes will come into effect from April 2016.

Housing Revenue Account Business Plan

New Council Housing – construction ongoing during 2015/16 on the first new Council houses in Taunton for more than 20 years as part of a £12m joint venture between Taunton Deane and Knightstone Housing Association. 12 Council properties were completed at Creechbarrow Road during 2015/16 and handed over. A further 48 will be delivered during 2016.

Photo voltaic systems - installed on 348 council properties during 2015/16 – reducing our carbon footprint and reducing energy bills for our tenants.

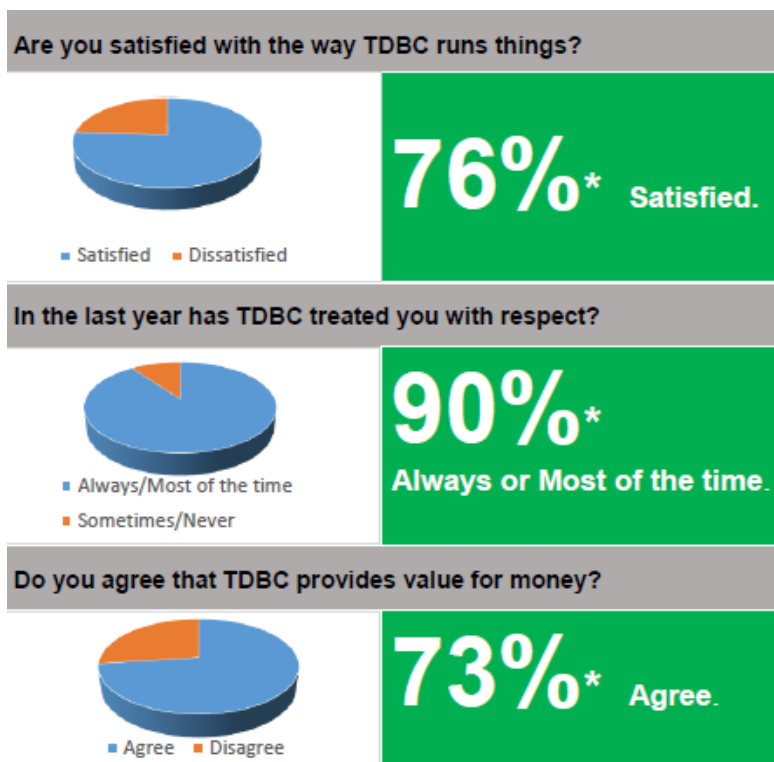
External wall insulation – completion of external wall insulation to 48 of our properties making them warmer and more energy efficient to heat.

Blackbrook Pavilion Swimming Pool and Spa complex - construction of a new multi-million pound 25m swimming pool and spa commenced in 2015/16. The pool and spa are due to open during 2016.

Resident Satisfaction Survey

The Council issued a Resident's Satisfaction Survey with each of the 50,000 2015/16 year Council Tax bills and also published the Survey online.

We received 1,415 responses to the Survey. A summary of the results to the three main questions is provided below:



* 95% confidence that responses represent view of all households

FINANCIAL PERFORMANCE

Economic Environment

It has been well documented that Local Government has seen major cuts over several years now and 2015/16 saw us faced 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 and with the responses to a consultation on New Homes Bonus Grant currently being considered by Government, we brace ourselves for further cuts.

This 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, we have had to cut grants to local voluntary and charitable organisations to balance the 2016/17 budget, 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 realign our minimum reserves level accordingly; we have looked at the profile of our Minimum Revenue Provision and found significant savings by realigning the repayments; we use earmarked reserves 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

Revenue

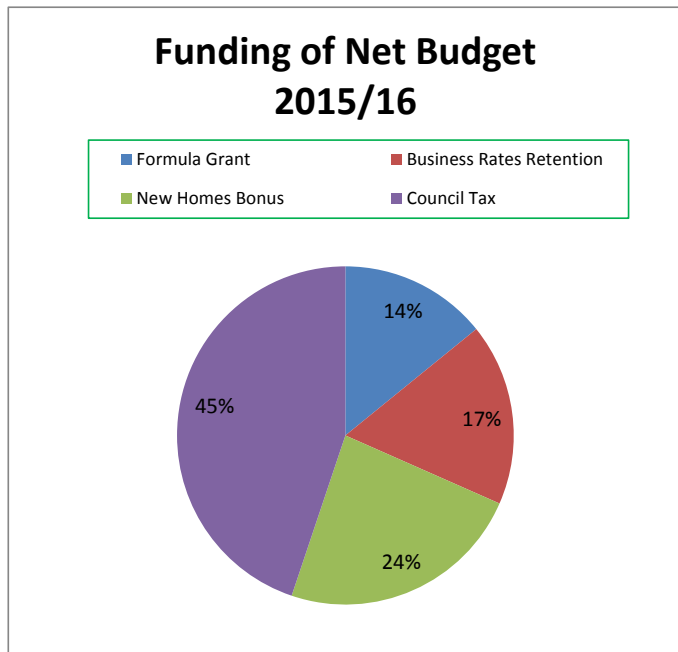
The financial standing of the Council is robust with sound financial management practices. The outturn for the Council is a transfer to general reserves of £280k.

FINANCIAL OVERVIEW

General Fund Revenue Budget and Reserves

The Council's original Net Budget for 2015/16 was £13.193m, representing the net cost of General Fund services funded by grants, business rates and council tax as shown in the following table and graph. Through supplementary budget changes for planned use of reserves the final net budget was £13.516m.

	£k
Revenue support grant	1,916
Retained business rates	3,064
Business rates Collection Fund deficit	(710)
New Homes Bonus	3,187
Council Tax Collection Fund surplus	135
Council Tax income	5,862
Council Tax Freeze Grant	62
Net Budget	13,516



In setting the budget for 2015/16 the Council froze Council Tax and took advantage of the Council Tax Freeze Grant of £62k. This meant that the Band D Council Tax rate remained at £137.88.

The Council's actual net expenditure in 2015/16 was £13.343m which results in a reported net underspend of £173k. Our overall underspend was £280k (2.1% of Net Budget). The net underspend arose due to variances in several budget areas. The most significant underspends have been reported against Rent allowances, Interest income, Street cleansing, and Environmental Health. These together with other smaller underspends have enabled to 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 2015/16	Budget £k	Actual £k	Variance	
			£k	%
Community Leadership	574	589	15	2.6
Corporate Resources	1,162	1,184	22	1.8
Economic Development	1,374	1,776	402	29.2
Environmental Services	4,503	4,473	(30)	(0.7)
General Services	1,064	1,077	12	1.2
Housing Services	2,437	1,676	(760)	(31.2)
Planning, Transportation and Comms	(1,646)	(1,586)	60	3.6
Sports, Parks and Leisure	2,642	2,861	219	8.3
Trading Units	(21)	(34)	(13)	(61.9)
Interest and Other income	(314)	(469)	(155)	(49.4)
Parish Precepts & Special Expenses	620	620	0	
Capital Financing from GF Revenue (RCCO)	2,218	2,257	39	
Appropriations	(148)	(148)	0	
Repayments of Capital Borrowing (MRP)	180	180	0	
Transfers to Capital Adjustment Account	(1,513)	(1,241)	272	
Transfers to/(from) Earmarked Reserves	665	951	286	
Transfer to General Reserves	(281)	(281)	0	
Transfers to/(from) Pension Reserve	0	(542)	(542)	
Net Budget	13,516	13,343	(173)	(1.3)
Funding	(13,516)	(13,623)	(107)	(0.8)
Net Under(-)/Overspend for the year	0	(280)	(280)	

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 reduced slightly from £2.114m at the start of the year to £2.113m at 31 March 2016 this is £513k 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 2016 stands at £16.908m. This balance covers a wide variety of known planned spending commitments, including: Business Rates funding deficit; New Homes Bonus Growth Reserve; SWOne Succession planning and the JMASS Project 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 £18.634m (£12.220m in 2014/15). Capital spending comprises £7.243m on General Fund schemes and £11.391m 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 roofs, kitchens, bathrooms, windows, doors, heating systems and other related works. Investment in social housing development has seen £3.221m spent on schemes in Taunton, Wellington and West Bagborough.

General Fund Capital Schemes	£k	HRA Capital Schemes	£k
Blackbrook Pool	4,226	Heating Systems	1,800
SCCC Loan	700	Replacement Roofing	75
Housing Enabling and Housing Standards	155	Kitchens and Bathrooms	1,705
Play Equipment and Sports Facilities	312	Doors and Windows	644
DLO Vehicles, Plant and Equipment	290	Accessibility Aids and Adaptations	287
DLO Depot Relocation	796	Door Entry Systems	317
Tourist Info Centre Relocation	171	Photovoltaic (PV) Systems and Energy Saving	1,763
Regeneration Schemes	87	HRA Buybacks	194
Cemetery Works	65	Asbestos Works	271
Car Parks	88	Development of Additional Dwellings	3,221
ICT Equipment	129	Fascias, Soffits and Fire Safety	796
Waste Containers	90	Other schemes	318
Other schemes	134		
Total	7,243	Total	11,391

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

The General Fund Capital Programme has committed approved capital spending in future years of £12.465m. The HRA Capital Programme has committed approved capital spending into future years of £15.004m.

Sources of Capital Funding	£k
Revenue Funding	4,091
Capital Grants and Contributions	920
Capital Receipts	1,162
Borrowing	6,899
Major Repairs Reserve (HRA)	5,562
Total	18,634

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 £18.301m of capital reserves, providing funding for the approved capital spending referred to above. The Council has also approved borrowing of £16.617m 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 2015	31 March 2016
	£k	£k
Non-current assets	329,117	355,914
Net current assets – debtors, stock and cash less short term creditors and liabilities	18,067	10,492
Long term liabilities and provisions	(184,574)	(167,995)
Net Assets/(Liabilities)	162,610	198,411
Represented by: Usable reserves	35,572	42,622
Represented by: Unusable reserves	127,038	155,789
Total Reserves	162,610	198,411

Housing Revenue Account (HRA) Budget and Reserves

Taunton Deane Borough Council

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 £26.931m for the year. The HRA has reported a net surplus of £476k for 2015/16, which is 2% 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, and lower procurement savings taken owing to the end of the current arrangements. The following table provides a summary of performance against budget for the year.

HRA Outturn 2015/16	Budget	Outturn	Variance	
	£k	£k	£k	%
Gross Income	(26,931)	(27,056)	(125)	0%
Service Expenditure	11,284	11,388	104	1%
Other Operating Costs and Income	2,909	2,629	(280)	(10%)
Earmarked Reserve Transfers	2,673	2,673	0	0%
Capital Financing and Debt Repayment	8,457	8,457	0	0%
Technical Accounting Adjustments	323	148	(175)	(54%)
Unearmarked Reserve Transfers	1,285	1,285	0	0%
Net Variance	0	(476)	(476)	2%

The Housing Revenue Account Reserve has decreased from £3.483m at the start of the year to £2.675m at 31 March 2016. 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 2015 is £4.895m, an increase of £2.673m in the year. The reserves are committed in a number of areas including: Social Housing Development Fund £206k to support new build and acquisition of additional homes; planned maintenance contracts re-programmed to start in 2016/17 £2.455m; 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 at 31 March 2016 were £26.393m. 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 2015	31 March 2016
	£000	£000
Cash and other cash equivalents	23,680	16,378
Short term investments	6,005	10,015
Total	29,685	26,393

Pensions

The Council's share of the overall Pension Fund deficit decreased from £92.3m at 31 March 2015 to £78.4m at 31 March 2016. The deficit has decreased by 15%, which is largely due to a change in the financial valuation assumptions by the actuaries.

Following the actuarial valuation in 2013 we have changed the way in which we contribute to the Pension Fund as an employer. We are now required to contribute a percentage of pay costs plus a set cash lump sum each year. During 2013/14 we were contributing 18.4% as an employer. Due to falling staff numbers maintaining this approach would not address the deficit hence in the years 2014/15 onwards we are contributing 13.5% of pay plus a deficit reduction lump sum. In 2015/16 this lump sum is £990k rising to £1.220m in 2016/17.

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 (April to Sept 2015) key headlines are:

Taunton Deane recycling centre recovery rates = 80% (189,000 visits were made to the two recycling centres in Taunton Deane).

Taunton Deane household recycling = 180 kilograms per household (April to Sept)

Taunton Deane household waste (inc recycling) = 380 kilograms per household (April to Sept)

Total household waste has reduced in 2015/16 on the same period 2014/15 and the amount of waste recycled has increased which is very positive news.

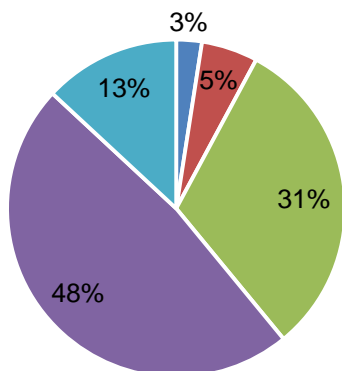
PEOPLE

The Council employs 612 people in full time and part time contracts.

Below is the make-up of our people within the Council

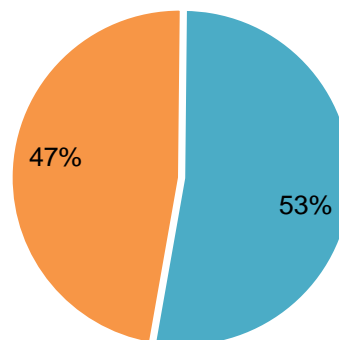
Workforce Breakdown by Age

■ 24 and under ■ 25-29 ■ 30-44 ■ 45-59 ■ 60+



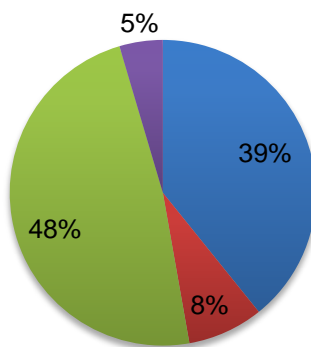
Gender Breakdown of Workforce

■ Male ■ Female



Declared Disability Breakdown of Workforce

■ No ■ Yes ■ Not Known ■ Prefer Not to Say



FINANCIAL CHALLENGES IN 2016/17

For 2016/17, the Council had to address a budget gap in the region of £1.1m. This has resulted primarily from the reduction in Revenue Support Grant; inflation rate increases and a reduction in Housing Benefit and Council Tax Reduction grants.

As part of the Final Settlement details, Central Government 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 a potential £88k towards the budget gap.

2016/17 sees the introduction of a Rural Services Delivery Grant (RSDG). This has previously been distributed as part of Revenue Support Grant (RSG) but is now shown separately. For 2016/17 we received £27k of RSDG. Whilst this recognition of the rural nature of our district is welcomed, this is minimal compared to the reduction of £681k to RSG. We also received a Transition Grant of £17k. This is a new grant which we understand will be given for two years, to partially mitigate the sharp decrease in RSG.

As part of the Settlement documents there was a proposal to councils to respond to a consultation on New Homes Bonus. This consultation covered a wide range of areas pertinent to the New Homes Bonus calculations and distribution. The predominant question was whether the council had an appetite to reduce the allocation from Central Government of the grant from a 6 year calculation to a 4 year calculation, possibly even 2 years. Although for the District Council this appears to be a moot question as we would not welcome a fall in grant, for Unitary and County Councils this may be attractive as the

reduction in distribution is intended by Central Government to be redirected “to support authorities with specific pressures, such as in adult social care budget”.

In order to be able to reduce the budget gap going forward our transformation project is pivotal. Only with a new approach to service provision will we be able to begin to close the gap and continue to provide services which meet the needs of our public. The details of our transformation programme will emerge over the next few months.

We are also planning for the end of our contract with Southwest One which is due in 2017. We talk regularly with them to ensure we have a seamless transfer of responsibility and staff. We will continue to give updates on our progress through our Committee papers and on our website.

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. This year we increased this from £1.5m to £1.6m as more risks emerged and funding has reduced.

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 2016, centred on:

- Financial uncertainty / budgetary pressures
- Asset Management – regulatory compliance
- Southwest One succession planning – the contract is due to end in 2017
- 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
- Failure to deliver an effective transformation programme

WHAT’S NEXT?

During 2015/16 the Council developed its new Corporate Strategy for the next four years (1st April 2016 to 31st March 2020). The key elements of the Strategy are: refreshed high-level priorities for the Council, design principles for our organisation, refreshed vision and clarity on the role and purpose of the Council.

This Corporate Strategy is available on the ‘Core Value and Priorities’ page of our website, which is available from this link:

<http://www.tauntondeane.gov.uk/irj/public/council/goalsandvalues/goalandvalue?rid=/guid/e07fa34b-9e59-2c10-1b89-d04600b7f293>

The key outcomes we are going to be working on:

- Taunton Deane is growing and will have an increasing older population. These changes will require greater housing and employment provision as well as services which support the needs of an older population and our most vulnerable residents.

Taunton Deane Borough Council

- An increasing local working-age population and the desire to keep our town centres vibrant means that sustaining our local economy must be central to the Council's priorities and planning.
- We want to keep Taunton Deane a place to be proud of and one which is well-maintained, welcoming to residents, visitors and businesses and is easy to get around.
- Like all Councils, we continue to be challenged by significant budget cuts and pressure on services. We need to continue to collaborate with a range of organisations to deliver and enable outcomes that are important to our communities and find new ways of working that ensure we continue to get the best possible value out of the funds available to us.

TRANSFORMATION

We have now, through the approved Corporate Strategies, clear design principles that will shape our transformation vision. We need to move forward now and formally test our ability to transform through the development of a high level Business Case, This will articulate our Transformation Vision and test the delivery of this in 3 sequential "variants":-

- As now, with two separate Councils supported by the ONE Team.
- In one merged Council (TDBC and WSC), supported by the ONE Team
- As two separate Councils with their own transformation agendas.

The three variants will be developed simultaneously to ensure we can reach a decision point as quickly and safely as possible. It is envisaged this work will take 3-4 months and will report in July 2016.

DEVOLUTION

In September 2015 the Heart of the South West (HotSW) submitted its Devolution Statement of Intent to Government. After considerable further work during autumn 2015, the partners – 17 local authorities, two National Parks, the Local Enterprise Partnership (LEP) and the three Clinical Commissioning Groups – are now in a position to commence detailed negotiations with Government on a devolution deal.

Government has challenged local leadership teams to treat productivity as "the challenge of our time". They have asked us to do that by "fixing the foundations" of infrastructure, skills, and science through a devolution revolution delivering long-term public and private investment.

With Government support for our proposition, by 2030 the Heart of the South West can accelerate delivery of 163,000 new jobs, 179,000 new homes and an economy of over £53bn Gross Value Added (GVA).

Our proposals build upon successful and strong business leadership through our Local Enterprise Partnership: we cannot deliver effective economic interventions without a strong business voice.

We anticipate a positive outcome from negotiations on our deal and we hope to begin formal negotiations with Government imminently. More detail on our bid can be found from this link:

<http://www.westsomersetonline.gov.uk/getattachment/home/News/Devon-and-Somerset-bid-for-more-powers-to-boost-pr/HotSW-Devolution-Prospectus-2016.pdf.aspx>

EXPLANATION OF ACCOUNTING STATEMENTS

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

- The **Movement in Reserves Statement** (pages 17 and 18) 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

Taunton Deane Borough Council

- The **Comprehensive Income and Expenditure Statement** (page 19) brings together details of the Council's day-to-day revenue spending and income on its services, and other gains and losses in the year.
- The **Balance Sheet** (page 20) 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 21) summarises the flows of cash into and out of the Council during the year.
- The **Notes to the Financial Statements** (pages 22 to 90) 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 and additional copies of this booklet can be obtained from:

S Adam FCCA, Section 151 Officer, The Deane House, Belvedere Road, Taunton, TA1 1HE

Telephoning: (01823) 356310

E-mail to: s.adam@tauntondeane.gov.uk

The Statement of Responsibilities for the Statement of Accounts

The Council is required to:

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

The Director of Operations is required to:

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

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

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

The Director of Operations has also:

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

Certification of the Accounts

This Statement of Accounts gives a true and fair view of the financial position of Taunton Deane Borough Council at 31 March 2016 and its income and expenditure for the year ended 31 March 2016.

S Adam FCCA
Director of Operations
Section 151 Officer

19th September 2016

Approval of the Accounts

This Statement of Accounts will be approved by resolution of the Corporate Governance Committee under powers allocated by the 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)

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.

Restated	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Balance as 31 March 2014 carried forward	2,537	13,009	3,059	614	5,924	2,464	760	28,367	145,836	174,203
Movement in Reserves during 2014/15:										
Surplus or (deficit) on provision of services	(5,102)	0	2,768	0	0	0	0	(2,334)	0	(2,334)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(9,259)	(9,259)
Total Comprehensive Income and Expenditure	(5,102)	0	2,768	0	0	0	0	(2,334)	(9,259)	(11,593)
Adjustments between accounting basis & funding basis under regulations (Note 8)	6,812	0	(613)	0	800	2,600	(60)	9,539	(9,539)	0
Net Increase/Decrease before transfers to Earmarked Reserves	1,710	0	2,155	0	800	2,600	(60)	7,205	(18,798)	(11,593)
Transfers (to)/from Earmarked Reserves (Note 9)	(2,256)	2,256	(1,608)	1,608	0	0	0	0	0	0
Other movements*	123	0	(123)	0	0	0	0	0	0	0
Increase/(Decrease) in 2014/15	(423)	2,256	424	1,608	800	2,600	(60)	7,205	(18,798)	(11,593)
Balance at 31 March 2015 carried forward	2,114	15,265	3,483	2,222	6,724	5,064	700	35,572	127,038	162,610

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

Movement in Reserves Statement (continued)

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Balance as 31 March 2015 carried forward	2,114	15,265	3,483	2,222	6,724	5,064	700	35,572	127,038	162,610
Movement in Reserves during 2015/16:										
Surplus or (deficit) on provision of services	949	0	5,091	0	0	0	0	6,040	0	6,040
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	29,761	29,761
Total Comprehensive Income and Expenditure	949	0	5,091	0	0	0	0	6,040	29,761	35,801
Adjustments between accounting basis & funding basis under regulations (Note 8)	545	0	(3,079)	0	1,551	1,112	881	1,010	(1,010)	0
Net Increase/(Decrease) before transfers to Earmarked Reserves	1,494	0	2,012	0	1,551	1,112	881	7,050	28,751	35,801
Transfers (to)/from Earmarked Reserves (Note 9)	(1,643)	1,643	(2,673)	2,673	0	0	0	0	0	0
Other Movements	148	0	(148)	0	0	0	0	0	0	0
Increase/(Decrease) in 2015/16	(1)	1,643	(809)	2,673	1,551	1,112	881	7,050	28,751	35,801
Balance at 31 March 2016 carried forward	2,113	16,908	2,674	4,895	8,275	6,176	1,581	42,622	155,789	198,411

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.

2014/15 (Restated)				2015/16		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
1,030	(106)	924	Central Services to the Public	1,062	(1,079)	(17)
3,892	(622)	3,270	Cultural and Related Services	4,168	(623)	3,545
7,396	(2,194)	5,202	Environmental and Regulatory Services	7,242	(2,345)	4,897
3,998	(1,800)	2,198	Planning Services	3,628	(1,053)	2,575
1,623	(3,987)	(2,364)	Highways and Transport Services	1,273	(4,064)	(2,791)
19,736	(26,819)	(7,083)	Local Authority Housing (HRA)	20,332	(27,361)	(7,029)
34,462	(32,791)	1,671	Other Housing Services	33,693	(32,316)	1,377
4,449	(2,641)	1,808	Corporate and Democratic Core	4,912	(1,853)	3,059
3,914	0	3,914	Non Distributed Costs (see footnote)	149	0	149
80,500	(70,960)	9,540	Cost of Services	76,459	(70,694)	5,765
		2,095	Other operating expenditure (Note 10)			388
		4,546	Financing and investment income and expenditure (Note 11)			4,771
		(13,847)	Taxation and non-specific grant income (Note 12)			(16,964)
		2,334	(Surplus) or Deficit on Provision of Services			(6,040)
		(8,752)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			(11,707)
		0	(Surplus) or deficit on revaluation of Available-for-Sale Financial Assets			(33)
		18,011	Remeasurement of the net Defined Pension Liability			(18,021)
		9,259	Other Comprehensive Income and Expenditure			(29,761)
		11,593	Total Comprehensive Income and Expenditure			(35,801)

Footnote : Non Distributed Costs for 2014/15 included £3,543k in respect of pension settlements relating to the transfer of employees from West Somerset Council to Taunton Deane Borough Council.

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 2015 (Restated)		Note	31 March 2016	
£'000	£'000		£'000	£'000
	217,754	Council Dwellings	13	229,031
	76,234	Other Land and Buildings	13	78,849
	5,938	Vehicles, Plant and Equipment	13	5,748
	10,256	Infrastructure Assets	13	10,778
	7,131	Community Assets	13	7,080
	3,140	Assets under Construction	13	7,686
	320,453	Total Property, Plant & Equipment		339,172
	141	Heritage Assets	14	141
	3,897	Investment Property	15	3,808
	670	Intangible Assets	16	641
	3,449	Long Term Investments	17	11,078
	507	Long Term Debtors	19	1,074
	329,117	Long Term Assets		355,914
544		Current Held for Sale Investment Property	15	204
6,005		Short term Investments	17	10,015
849		Assets Held for Sale	21	698
168		Inventories	18	160
4,565		Short Term Debtors	19	9,520
23,680		Cash and Cash Equivalents	20	16,378
	35,811	Current Assets		36,975
0		Short Term Borrowing	17	(2,698)
(14,658)		Short Term Creditors	22	(21,705)
(3,086)		Provisions	23	(2,080)
	(17,744)	Current Liabilities		(26,483)
	347,184			366,406
(92,306)		Long Term Borrowing	17	(89,607)
(92,268)		Other Long Term Liabilities	39	(78,388)
	(184,574)	Long Term Liabilities		(167,995)
	162,610	Net Assets		198,411
	35,572	Usable Reserves	24	42,622
	127,038	Unusable Reserves	25	155,789
	162,610	Total Reserves		198,411

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.

2014/15 (Restated)		2015/16
£000		£000
(2,334)	Net surplus or (deficit) on the provision of services	6,043
22,748	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 26)	16,268
(2,317)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 26)	(3,151)
18,097	Net cash flows from Operating Activities	19,160
(9,593)	Investing Activities (Note 27)	(26,462)
(2,073)	Financing Activities (Note 28)	0
6,431	Net increase or (decrease) in cash and cash equivalents	(7,302)
17,249	Cash and cash equivalents at the beginning of the reporting period	23,680
23,680	Cash and cash equivalents at the end of the reporting period (Note 20)	16,378

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 2015/16 financial year and its position at the year-end on 31 March 2016. 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 2015/16 ('the Code') and the Service Reporting Code of Practice 2015/16 ('SeRCOP'), 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.

v. Charges to Revenue for Non-Current Assets

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

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

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

During 2015/16 the Council amended its Minimum Revenue Provision (MRP) Policy to the Equal Instalment Method whereby MRP is linked to weighted asset life. This was considered to be a prudent approach as it takes into account the materiality of each asset and its remaining useful life. For the Council this has meant that MRP repayments have been extended to a 45.57 year period.

vi. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Where termination benefits involve pension enhancements (usually in the form of 'added years') the enhancements will be treated as pension costs for the purposes of the statutory transfer between the 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 3.7% (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 as part of Non Distributed Costs
- net interest on the net defined benefit liability – i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurements comprising:

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

Contributions paid to the SCC pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

vii. Events After The Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date 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.

viii. Financial Instruments

Financial Liabilities

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

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the 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 received are based on the amortised cost of the asset multiplied by the effective interest rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

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

ix. Government Grants and Contributions

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

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

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

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

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

Community Infrastructure Levy

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

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

x. Heritage Assets

Heritage Assets are recognised and measured in accordance with the Council's accounting policies on Property Plant and Equipment. However some of the measurement rules are relaxed in relation to heritage assets. The Council's Heritage Assets recognised on the balance sheet are Civic Regalia.

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

xi. Intangible Assets

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

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

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

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

recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

xii. Interests in Companies and Other Entities

The Council has interests in companies and other entities that have the nature of associates and trust funds but these are not material interests and therefore do not require group accounts to be prepared.

xiii. Inventories and Long Term Contracts

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

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

xiv. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund balance. However, revaluation and disposal gains are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any proceeds greater than £10,000) the Capital Receipts Reserve.

xv. Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation

- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

xvi. Leases

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

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

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

The Council as Lessee

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

xvii. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (SeRCOP). The total absorption costing principle is used as a basis for setting support service budgets. Actual figures are calculated on budget and then the difference (if not material) is charged to Corporate and Democratic Core. If the balance was material then the allocation would be reviewed. The cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

xviii. Property, Plant and Equipment

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

Recognition

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

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

Disposals and Non-Current Assets Held for Sale

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

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

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

Where an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e.

netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for the disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund balance in the Movement in Reserves Statement.

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

xix. Private Finance Initiative (PFI) and Similar Contracts

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

xx. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation. If the date of likely settlement is so far in the future to affect the present value of the obligation, the provision will be shown in the statements at its discounted present value using a discount rate judged appropriate at the time. The discounted value recognises that payments made or received at some time in the future are not worth the same as payments made or received immediately.

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

xxi. Reserves

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

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

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

xxii. Revenue Expenditure Funded from Capital under Statute

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

xxiii. VAT

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

xxiv. The Collection Fund

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

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

xxv. Accounting for Council Tax

Council tax income is accounted for within the Collection Fund Statement on an accruals basis based on the amount due from taxpayers for the year, and adjustments for earlier years not already

taken into account. The figure excludes amounts receivable in the form of penalties, which are recognised in the Surplus or Deficit on the Provision of Services in the General Fund.

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

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

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

xxvi. Accounting for National Non-Domestic Rates (NNDR)

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

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

xxvii. Fair Value measurement

The Authority measures some of its non-financial assets such as investment properties and some of its financial instruments such as covered bonds 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 Authority 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 Authority 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 Authority 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 Authority'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 Adjustment - Error in Collection Fund for the Financial Year 2014/15 and earlier years

The Council discovered that in the course of preparing the Collection Fund accounts for 2014/15 and earlier years it had inadvertently overstated income from Business Rates as a result of misinterpreting data from the revenues computer system. The effect of this was that the Business Rates income in the Collection Fund was overstated in the financial statements by £1.243m, of which £0.767m relates to 2014/15 and the remainder to earlier years. £497k of this amount is attributable to this Council, of which £307k relates to 2014/15 and the remainder to earlier years. The Council has since reviewed its final accounts systems and processes and has made appropriate changes to ensure that such events are unlikely to recur. The reduction in income from Business Rates for this Council increased the deficit on the Comprehensive Income and Expenditure Statement for 2014/15 and earlier years. However, there was an adjustment of a similar amount between the accounting basis and funding basis under regulations which has increased the Collection Fund Adjustment Account with the result that Unusable Reserves were overstated by £497k at 31 March 2015.

In order to correct this error, the Council has restated the prior year information for 2014/15 in the following reported lines in the Comprehensive Income and Expenditure Statement. The Comprehensive Income and Expenditure Statement with appropriate restatement for 2014/15 can be found on page 19 of these financial statements.

Effect on line items in Comprehensive Income and Expenditure Statement for 2014/15

	As Originally Stated 2014/15 £'000	As Restated 2014/15 £'000	Amount of Restatement £'000
Taxation and non-specific grant income	(14,154)	(13,847)	307
Deficit on Provision of Services	2,027	2,334	307
Total Comprehensive Income and Expenditure	11,286	11,593	307

The CIPFA *Code of Practice on Local Authority Accounting in the United Kingdom* requires that an authority present a Balance Sheet at the beginning of the preceding period when an authority makes a retrospective restatement. The error impacted on the figures for Short Term Debtors and Unusable Reserves. The following table demonstrates the effects on the following line items in the Balance Sheets at 31 March 2014 and 2015. The restated (for the relevant line items) prior period Balance Sheet is provided with the current year information on page 20 of the financial statements.

There is no effect on the "bottom" line of the Income & Expenditure in 2013/14 so this has not been restated. The £182k detailed below which changes the opening Balance Sheet for 2014/15 would be shown within Taxation and non-specific grant income and then reversed out through the Movement in Reserves Statement.

Effect on line items in the Balance Sheet 31 March 2014

	As Originally Stated 31 March 2014 £'000	As Restated 31 March 2014 £'000	Amount of Restatement £'000
Short Term Debtors	4,334	4,144	(190)
Current Assets	32,091	31,901	(190)
Net Assets	174,393	174,203	(190)
Unusable Reserves	146,026	145,836	(190)
Total Reserves	174,393	174,203	(190)

Effect on line items in the Balance Sheet 31 March 2015

	As Originally Stated 31 March 2015 £'000	As Restated 31 March 2015 £'000	Amount of Restatement £'000
Short Term Debtors	5,062	4,565	(497)
Current Assets	36,308	35,811	(497)
Net Assets	163,107	162,610	(497)
Unusable Reserves	127,535	127,038	(497)
Total Reserves	163,107	162,610	(497)

The following restatement was also required for the Movement in Reserves Statement for Usable and Unusable Reserves. The restated (for the relevant line items) prior period Movement in Reserves Statement is provided with the current year information on pages 17 and 18 of the financial statements.

Movement in Reserves Statement – Usable Reserves 31 March 2015

	As Originally Stated 31 March 2015 £'000	As Restated 31 March 2015 £'000	Amount of Restatement £'000
Balance at 31 March 2014 carried forward	28,367	28,367	0
Surplus or (deficit) on provision of services	(2,027)	(2,334)	(307)
Adjustments between accounting basis & funding basis under regulations	9,232	9,539	307
Increase/(Decrease in 2014/15	7,205	7,205	0
Balance at 31 March 2014 carried forward	35,572	35,572	0

Movement in Reserves Statement – Unusable Reserves 31 March 2015

	As Originally Stated 31 March 2015 £'000	As Restated 31 March 2015 £'000	Amount of Restatement £'000
Balance at 31 March 2014 carried forward	146,026	145,836	(190)
Other Comprehensive Income and Expenditure	(9,259)	(9,259)	0
Adjustments between accounting basis & funding basis under regulations	(9,232)	(9,539)	(307)
Increase/(Decrease in 2014/15	(18,491)	(18,798)	(307)
Balance at 31 March 2014 carried forward	127,535	127,038	(497)

The following restatement was also required for the Collection Fund. The following are the relevant extracted lines from the Collection Fund. The restated (for the relevant line items) prior period Collection Fund is provided with the current year information on page 93 of the financial statements.

Effect on line items in the Collection Fund 2014/15

	As Originally Stated 2014/15 £'000	As Restated 2014/15 £'000	Amount of Restatement £'000
Business Rates Receivable	(40,807)	(40,100)	707
Total Income	(96,710)	(96,003)	707
Increase in Provision for bad and doubtful debts	218	205	(13)
Write offs during the year	381	356	(25)
Disregarded amounts	0	98	98
Total Expenditure	97,597	97,657	60
(Surplus)/Deficit for the year	887	1,654	767
(Surplus)/Deficit Balance Brought Forward	2,868	3,344	476
(Surplus)/Deficit Balance Carried Forward	3,755	4,998	1,243
Attributable to:			
Central Government	2,469	3,090	621
Somerset County Council	(406)	(294)	112
Avon & Somerset Police Authority	(142)	(142)	0
Devon & Somerset Fire & Rescue Authority	(15)	(2)	13
Taunton Deane Borough Council	1,849	2,346	497
Total	3,755	4,998	1,243

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

The Authority has yet to adopt the following accounting standards which will be introduced in the 2016/17 Code. At the time of writing, the impact on our accounts is not fully known although based on our current arrangements it is likely to be immaterial.

- Amendments to IAS 19 *Employee Benefits* (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs 2010-2012 Cycle
The issues applicable to local authorities included in the Annual Improvements to IFRSs 2010-2012 cycle are:
 - IFRS 3 *Business Combinations*: Accounting for contingent consideration in a business combination;
 - IFRS 8 *Operating Segments*: Aggregation of operating segments and Reconciliation of the total of the reportable segments' assets to the entity's assets;
 - IFRS 13 *Fair Value Measurement* Short-term receivables and payables;
 - IAS 16 *Property, Plant and Equipment*: Revaluation method— proportionate restatement of accumulated depreciation;
 - IAS 24 *Related Party Disclosures*: Key management personnel;
 - IAS 38 *Intangible Assets*: Revaluation method— proportionate restatement of accumulated depreciation.

- Amendment to IFRS 11 *Joint Arrangements* (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual Improvements to IFRSs 2012 – 2014 Cycle
The only issue applicable to local authorities included in the Annual Improvements to IFRSs 2012-2014 cycle is IFRS 7 *Financial Instruments: Disclosures*: Servicing contracts
- Amendment to IAS 1 *Presentation of Financial Statements* (Disclosure Initiative)
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis

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’s leisure facilities are run on its behalf by Tone Leisure (Taunton Deane) Limited, a charitable trust (number 1110756) and not-for-profit social enterprise working with South Hams District Council through its own group company as well as Taunton Deane. The Council has the right to appoint two Councillors to the board of Tone Leisure Ltd, but does not have overall control of the Trust and so accounts for the arrangement as an Associate. In previous years the Council has included Tone Leisure in its group accounts. The inclusion of Tone Leisure has been reviewed this year and we have made a judgement that the Council’s interest in Tone Leisure is not material to the accounts so therefore group accounts have not been prepared.
- The Council currently uses the Major Repairs Allowance (MRA) as a proxy for depreciation. This is a DCLG assessment of the cost of maintaining our Council Dwellings, therefore the Council believes it to be a reliable estimate. There is a five year transition period in place and the Council intends to review this basis within this period which ends in 2016/17.
- Depreciation for the Council’s assets is run on opening balances. If there are any revaluations in year the revaluations are processed and depreciation is written out. There is assurance from the Valuer that the values in the accounts at 31 March 2016 are a true reflection of the fair value at this date.

- A Business Rates provision has been made in the accounts for £1.920m. 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 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Significant Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment (PPE)	<p>PPE assets are depreciated over useful lives that are chosen based on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. If the working lives change significantly as a result of the Council's review of its services then those useful lives may lengthen or shorten.</p>	<p>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.</p>
	<p>The carrying values of assets such as council houses depend very much on outside factors; for example, the significant revaluation in 2010/11 was due to a change in the discount factor applied nationally to social housing. This factor depends on market conditions such as the value of similar properties in an open market and rent yields for the private sector. For example, in 2005 when the present system was introduced, the discount factor for the south-west was 44%; in 2015/16 it is 31%.</p>	<p>With council housing having a balance-sheet value of around £229m, each 1% change in the social housing discount factor moves the valuation up or down by £2m while having no effect on the actual housing stock itself.</p>

Item	Significant Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	<p>Estimates of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The Council works in partnership with other local authorities to engage a firm of consulting actuaries to provide expert advice about the assumptions to be applied, and reviews those assumptions in discussion with its partner Councils. Part of the annual accounts process is to review previous assumptions and test them against what actually happened, to provide further data for future assumptions.</p> <p>With so much national debate and change in pension provisions, the assumptions are both difficult to predict from historical data and likely to change significantly in the short to medium term. The pensions liability and its underlying data is therefore very much a carefully-reasoned estimate of the most likely combination of factors, but by its very nature is significantly uncertain.</p>	<p>The effects on the net pension liability of many changes in individual assumptions can be measured. For example, if the discount rate were to change by plus or minus 0.1% from its assumed 3.7%, then the projected service cost would be between £3.510m to £3.686m. A similar change of 1 year in the mortality age range assumption means the projected service cost could be from £3.507m to £3.689m.</p> <p>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.</p>
Business Rates Appeals Provision	<p>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.</p>	<p>There is uncertainty and risk surrounding the calculation of the provision as future events may affect the amount required to settle an obligation.</p>

Item	Significant Uncertainties	Effect if Actual Results Differ from Assumptions
Arrears	At 31 March 2016 the Council had a balance of Council Tax debtors of £3.9m, almost unchanged from the previous year, which is to be expected when collecting council tax of around £56.8m each year. The Council has made an impairment provision within the collection fund of £2.1m 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 £57m this year from approximately 49,000 households, a 0.1% change in the collection rate changes the amount collected by around £57k in a full year (the Council's risk would be 11% of this amount). The Council's collection rate for 2015/16 was 99%.
Revaluations	At 31 March 2016 the Council valuers reassessed the carrying value of our assets to reflect the in-year movement in the market. This resulted in an upward revaluation of £7.574m and was arrived at with a combination of local knowledge and the use of indices.	There is an element of estimation with any valuation, but this is mitigated by using RICS valuers and applying indices for the local area.

6. Material Items of Income and Expense

During the year, there have been 38 sales of Council dwellings to Council tenants and 2 dwellings were demolished; this has resulted in a gain shown in the Comprehensive Income and Expenditure Statement of £975k.

7. Events After the Balance Sheet Date

There have been no events after the balance sheet date of 31 March 2016 that require the financial statements or notes to be adjusted for 2015/16.

8. 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:

2015/16	Usable Reserves				
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000
Adjustments to Revenue Resources:					
<i>Amounts by which income and expenditure charged to the Comprehensive Income and Expenditure Statement are different from revenue for the year in accordance with statutory requirements</i>					
Pensions Costs (transferred to or from the Pensions Reserve)	3,583	558	0	0	0
Council Tax and NNDR (transferred to or from the Collection Fund Adjustment Account)	(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 Adjustments to Revenue Resources	3,147	8,871	0	0	1,159
Adjustments between Capital and Revenue 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 from 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
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 Capital and Revenue 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

2014/15 Comparative Figures (Restated)	Usable Reserves				
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000
Adjustments to Revenue Resources:					
<i>Amounts by which income and expenditure charged to the Comprehensive Income and Expenditure Statement are different from revenue for the year in accordance with statutory requirements</i>					
Pensions Costs (transferred to or from the Pensions Reserve)	6,570	493	0	0	0
Council Tax and NNDR (transferred to or from the Collection Fund Adjustment Account)	950	0	0	0	0
Holiday Pay (transferred to or from the Accumulated Absences Account)	74	(9)	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)	810	10,229	0	0	84
Total Adjustments to Revenue Resources	8,404	10,713	0	0	84
Adjustments between Capital and Revenue Resources:					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	0	(2,317)	2,317	0	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	46	(46)	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	339	0	(339)	0	0
Posting of HRA resources from revenue to the Major Repairs Reserve	0	(6,700)	0	6,700	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(543)	(510)	0	0	0
Capital expenditure financed from revenue balances	(1,388)	(1,845)	0	0	0
Total Adjustments between Capital and Revenue Resources	(1,592)	(11,326)	1,932	6,700	0
Adjustments to Capital Resources:					
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(1,132)	0	0
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	(4,100)	0
Application of capital grants to finance capital expenditure	0	0	0	0	(144)
Total Adjustments to Capital Resources	0	0	(1,132)	(4,100)	(144)
Total Adjustments 2014/15	6,812	(613)	800	2,600	(60)

9. Transfers to/from Earmarked Reserves

The table below shows the amounts set aside from the General Fund and HRA balances in capital or revenue earmarked reserves to provide financing for future expenditure plans. It also shows the movement in each major earmarked reserve where amounts have either been posted to the reserve or back to meet General Fund and HRA expenditure in 2015/16. Reserves indicated with an asterisk (*) are held for capital purposes.

	Balance at 31 March 2014 £'000	Transfers In 2014/15 £'000	Transfers Out 2014/15 £'000	Balance at 31 March 2015 £'000	Transfers In 2015/16 £'000	Transfers Out 2015/16 £'000	Balance at 31 March 2016 £'000
General Fund							
Asset Management - General	250	0	(1)	249	89	(49)	289
Asset Management - Leisure	329	703	(614)	418	380	(575)	223
Capital Financing Reserve *	4,363	480	(1,290)	3,553	1,596	(2,060)	3,089
Carryforwards	475	767	(477)	765	699	(765)	699
CEO Initiatives	104	30	(41)	93	0	(15)	78
DLO Trading Account	205	121	(12)	314	73	(22)	365
DLO Vehicle Replacement Reserve *	241	341	(241)	341	0	(25)	316
Eco Towns Projects	96	46	0	142	162	0	304
Economic Development & Growth Initiatives	0	0	0	0	315	0	315
Growth & Regeneration Service Costs	222	296	(217)	301	1	(214)	88
Homelessness Grant	149	0	0	149	15	0	164
Housing Enabling	176	7	(5)	178	7	0	185
JM & SS Project EMR	1,418	510	(1,030)	898	0	(672)	226
Local Plan Enquiry	404	24	(239)	189	23	(74)	138
Monkton Heathfield EMR	300	249	(33)	516	173	0	689
New Homes Bonus Reserve	794	2,106	(458)	2,442	2,484	(764)	4,162
Performance & Client Consultancy	211	79	(95)	195	174	(277)	92
Planning Delivery Grant	152	0	(25)	127	0	(25)	102
Resources Service Costs	0	294	0	294	311	(236)	369
SAP Replacement *	0	0	0	0	320	0	320
Self Insurance Fund	500	0	0	500	0	(15)	485
Back Office Project costs	0	0	0	0	933	0	933
Specialised Planning Legislation	0	165	0	165	0	(5)	160
TDBC share of NNDR Surplus/Deficit	1,265	705	0	1,970	719	(681)	2,008
Troubled Families	352	0	(303)	49	0	(49)	0
Other Earmarked Reserves	1,003	680	(266)	1,417	262	(570)	1,109
Total General Fund	13,009	7,603	(5,347)	15,265	8,736	(7,093)	16,908

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	Balance at 31 March 2014 £'000	Transfers In 2014/15 £'000	Transfers Out 2014/15 £'000	Balance at 31 March 2015 £'000	Transfers In 2015/16 £'000	Transfers Out 2015/16 £'000	Balance at 31 March 2016 £'000
Housing Revenue Account (HRA)							
HRA Capital Financing Reserve *	79	0	0	79	0	0	79
HRA Carryforwards	0	235	0	235	328	(235)	328
HRA Community Development Fund	0	425	0	425	0	(219)	206
HRA Customer Access & Accommodation Project	36	18	0	54	0	(18)	36
HRA DLO Transformation	45	0	(38)	7	0	(7)	0
HRA Electrical Testing	0	700	0	700	607	0	1,307
HRA Employment & Skills	0	0	0	0	138	0	138
HRA Halcon Reserve	24	0	0	24	0	0	24
HRA Letting Contingency	0	0	0	0	97	0	97
HRA One Teams	0	0	0	0	257	0	257
HRA Planned External Maintenance	0	474	0	474	674	0	1,148
HRA Pre Void & Tenant	0	0	0	0	139	0	139
HRA Potential Bad Debts	0	0	0	0	434	0	434
HRA SAP Replacement *	0	0	0	0	105	0	105
HRA Social Housing Development Fund	404	542	(834)	112	1,000	(823)	289
HRA South West One Succession Planning	0	0	0	0	150	0	150
Other HRA Earmarked Reserves	26	86	0	112	46	0	158
Total HRA	614	2,480	(872)	2,222	3,975	(1,302)	4,895

Included in the reserves above is the Council's Self Insurance Fund. This is a sum of £485,000 which is set aside for self insurance in respect of property risks. The Stop Loss insurance policy for Council Dwellings has excesses of £50,000 per property and up to £250,000 per year.

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

- Capital Financing Reserve – to provide funding for General Fund capital projects
- New Homes Bonus Reserve - to receive and distribute the New Homes Bonus Grant
- TDBC share of NNDR Surplus/Deficit – to smooth the effect of successful Business Rates appeals
- 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

10. Other Operating Expenditure

The note below details what is included in the 'other operating expenditure' line in the Comprehensive Income and Expenditure Statement.

2014/15		2015/16
£'000		£'000
545	Parish Council precepts	571
339	Payments to the Government Housing Capital Receipts Pool	388
26	Pension administration costs	52
1,185	(Gains)/losses on the disposal of non-current assets	(623)
2,095	Total	388

11. 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.

2014/15		2015/16
£'000		£'000
82	Trading account (surpluses) and deficits	101
2,606	Interest payable and similar charges	2,587
3,075	Net interest on the net defined benefit liability (asset)	2,996
(276)	Interest receivable and similar income	(427)
(941)	Income and expenditure in relation to investment properties and changes in their Fair Value	(486)
4,546	Total	4,771

12. Taxation and Non Specific Grant Incomes

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

2014/15		2015/16
(Restated)		
£'000		£'000
(5,900)	Council tax income	(6,005)
(1,975)	Non-domestic rates income and expenditure	(3,959)
(5,077)	Non-ringfenced Government grants	(5,199)
(895)	Capital grants and contributions	(1,801)
(13,847)	Total	(16,964)

More details of grants the Council has received can be found in Note 34 Grant Income.

13. 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.

Movements in 2015/16	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Cost or Valuation							
At 1 April 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 Property	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 Impairments							
At 1 April 2015	0	(1,577)	(4,347)	(1,457)	(336)	0	(7,717)
Depreciation Charge	(6,263)	(865)	(877)	(164)	0	0	(8,169)
Depreciation written out to the Revaluation Reserve	6,263	1,055	0	0	0	0	7,318
Depreciation written out to Surplus Deficit on Provision of Services	0	258	0	0	0	0	258
Derecognition - Disposals	0	14	247	0	0	0	261
Assets reclassified within Property, Plant & 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

Comparative Movements in 2014/15	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Cost or Valuation							
At 1 April 2014	209,893	77,758	9,554	11,713	7,017	2,990	318,925
Additions	9,817	149	731	0	62	448	11,207
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,254	869	0	0	0	0	2,123
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(180)	0	0	0	0	(180)
Derecognition - disposals	(917)	0	0	0	0	0	(917)
Derecognition - other	(1,775)	(277)	0	0	0	0	(2,052)
Assets reclassified within Property, Plant & Equipment	0	(388)	0	0	388	0	0
Assets reclassified (to)/from Investment Property	0	(85)	0	0	0	0	(85)
Assets reclassified (to)/from Intangible Assets	0	0	0	0	0	(298)	(298)
Assets reclassified (to)/from Held for Sale	(518)	(35)	0	0	0	0	(553)
At 31 March 2015	217,754	77,811	10,285	11,713	7,467	3,140	328,170
Accumulated Depreciation and Impairments							
At 1 April 2014	0	(1,252)	(3,574)	(1,293)	(77)	0	(6,196)
Depreciation Charge	(6,347)	(876)	(773)	(164)	0	0	(8,160)
Depreciation written out to the Revaluation Reserve	6,347	282	0	0	0	0	6,629
Depreciation written out to Surplus Deficit on Provision of Services	0	5	0	0	0	0	5
Derecognition - Disposals	0	5	0	0	0	0	5
Assets reclassified within Property, Plant & Equipment	0	259	0	0	(259)	0	0
At 31 March 2015	0	(1,577)	(4,347)	(1,457)	(336)	0	(7,717)
Net Book Value As at 31 March 2015	217,754	76,234	5,938	10,256	7,131	3,140	320,453

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 2015/16 are shown below.

General Fund

The Council has entered into a contract for Blackbrook Pool which is due to be completed in 2016/17. Remaining commitments on this contract are approximately £2.0m.

Similar commitments as at 31 March 2015 on other General Fund Projects were approximately £5.1m in total.

Housing Revenue Account

At the 31 March 2016 the Council has entered into a number of contracts to maintain the Housing Stock in 2016/17. The commitments are: Kitchen and Bathroom installations £5,133k, Heating installations £6,771k, Fascias, soffits and external maintenance £2,565k, and Air Source Heat Pump installation £918k.

Similar commitments at 31 March 2015 on Housing Revenue Account contracts were £6,330k.

Revaluations

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

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

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

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

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

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles Plant and Equipment £'000	Total £'000
Carried at historical cost	11,197	3,023	10,725	24,945
Valued at:				
1 April 2011	889	5,940	0	6,829
1 April 2012	0	21,252	0	21,252
1 April 2013	0	8,429	0	8,429
1 April 2014	0	28,047	0	28,047
1 April 2015	211,654	11,708	0	223,362
31 March 2016	5,291	1,821	0	7,112
Total Cost or Valuation	229,031	80,220	10,725	319,976

14. Heritage Assets

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

The Council's heritage assets consist of civic insignia and silver. The Council has not depreciated heritage assets as the civic insignia and silver are assumed to have an indefinite useful life. There have been no additions or disposals of heritage assets in year.

2014/15		2015/16
£'000		£'000
141	Balance at start of the year	141
141	Balance at end of the year	141

15. 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.

2014/15		2015/16
£'000		£'000
345	Rental Income from investment property	412
0	(Gains)/losses on the disposal of investment property	116
596	Net gains/(losses) from fair value adjustments	(42)
941	Total	486

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

2014/15		2015/16
£'000		£'000
3,216	Balance at start of the year	3,897
596	Net gains/(losses) from fair value adjustments	(42)
	Transfers:	
85	To/(from) Property, Plant & Equipment	(47)
3,897	Balance at end of the year	3,808

Fair Value Measurement of Investment Property

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

2014/15	Significant Unobservable Inputs (Level 3)	2015/16
£'000		£'000
1,715	Commercial Buildings	1,621
2,182	Commercial Land	2,187
3,897	Investment Property	3,808

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.

Investment Property Held for Sale

2014/15		2015/16
£'000		£'000
544	Balance at start of the year	544
0	Disposals	(340)
544	Balance at end of the year	204

16. Intangible Assets

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

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

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £164,000 was charged to the relevant services or if the software is used across the whole of the Council it is charged to ICT and then apportioned across all services.

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

2014/15 Total £'000		2015/16 Total £'000
	Balance at the start of the year:	
2,310	Gross carrying amounts	2,643
(1,875)	Accumulated amortisation	(1,973)
435	Net carrying amount at the start of the year	670
35	Additions: Purchases	135
298	Transfer from Property, Plant & Equipment (Assets under Construction)	0
(98)	Amortisation for the period	(164)
670	Net carrying amount at end of year	641
	Comprising:	
2,643	Gross carrying amounts	2,778
(1,973)	Accumulated amortisation	(2,137)
670		641

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

Carrying Amount 31 March 2015 £'000	Capitalised software	Carrying Amount 31 March 2016 £'000	Remaining Amortisation Period
34	SAP System	23	2 Years
68	IDOX Land Charges and Building Control Software	56	5 Years
54	Choice Based Lettings System	40	3 Years
181	Housing Management System	135	2 Years
333	DLO System	307	4 Years
0	Single IT Platform	80	5 Years

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 Tone Leisure and Somerset CCC 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:

Financial Liabilities	Long Term		Short Term	
	31 March 2015 £'000	31 March 2016 £'000	31 March 2015 £'000	31 March 2016 £'000
Loans at amortised cost:				
- Principal sum borrowed	92,198	89,500	0	2,698
- Accrued interest	108	107	0	0
Total Borrowing	92,306	89,607	0	2,698
Liabilities at amortised cost:				
- Trade payables	0	0	5,594	5,535
Included in Creditors	0	0	5,594	5,535
Total Financial Liabilities	92,306	89,607	5,594	8,233

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

Financial Assets	Long Term		Short Term	
	31 March 2015 £'000	31 March 2016 £'000	31 March 2015 £'000	31 March 2016 £'000
Loans and receivables:				
- Principal at amortised cost	3	3	6,000	10,000
- Accrued Interest	0	0	5	15
Available-for-sale investments:				
- Bonds at fair value	3,444	11,075	0	0
- Accrued Interest	2	0	0	0
Total Investments	3,449	11,078	6,005	10,015
Loans and receivables:				
- Cash	0	0	506	1,061
- Cash equivalents at amortised cost	0	0	7,300	4,000
- Accrued interest	0	0	23	2
Available-for-sale investments:				
- Cash equivalents at amortised cost	0	0	15,825	11,250
- Accrued Interest	0	0	26	65
Total Cash and Cash Equivalents	0	0	23,680	16,378
Loans and receivables:				
- Trade receivables	68	133	2,000	1,854
- Loans made for service purposes	439	941	0	131
Included in Debtors	507	1,074	2,000	1,985
Total Financial Assets	3,956	12,152	31,685	28,378

£941k of loans made for service purposes at 31 March 2016 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 2015/16.

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

	2014/15				2015/16			
	Financial Liabilities measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Financial Assets: Available for sale £'000	Total £'000	Financial Liabilities measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Financial Assets: Available for sale £'000	Total £'000
Total interest expense in Surplus or Deficit on the Provision of Services	2,606	0	0	2,606	2,588	0	0	2,588
Total interest income in Surplus or Deficit on the Provision of Services	0	(153)	(123)	(276)	0	(112)	(315)	(427)
Surplus on revaluation of Available-for-Sale Financial assets	0	0	0	0	0	0	(33)	(33)

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

Financial Assets measured at fair value				
Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	31 March 2015 £'000	31 March 2016 £'000
Available-for-sale				
Covered Bonds issued by UK Building Societies	Level 1	Unadjusted quoted prices in active markets for identical shares	0	11,075
Covered Bonds issued by UK Building Societies	N/A	Valued at amortised cost in 2014/15	3,446	0
Total			3,446	11,075

Changes in the Valuation Technique

The covered bonds have been valued at fair value using the above valuation technique for the first time at 31 March 2016. Prior to that they were valued at amortised cost as the difference was not material.

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:

Financial Liabilities	31 March 2015		31 March 2016	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Long and Short Term Borrowing	92,306	100,650	92,305	102,824

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.

Financial Assets	31 March 2015		31 March 2016	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Long and Short Term Loans made for Service Purposes	439	439	1,072	1,199

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

Recurring fair value measurements using:	31 March 2015		31 March 2016	
	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000
Financial Liabilities				
Long and Short Term Borrowing	0	100,650	0	102,824
Financial Assets				
Long and Short Term Loans made for Service Purposes	0	439	0	1,199

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 31st March 2016, 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 value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- 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 31st March.
- No early repayment or impairment is recognised for any financial instrument.

18. Inventories

The table below details the purchases and issues of stock during the year and any balances written off. The majority (£153k) of the inventory balance at 31 March 2016 was in relation to the stores stock.

2014/15 £		2015/16 £
155	Balance outstanding at start of year	168
721	Purchases	552
(708)	Issues	(560)
168	Balance outstanding at year-end	160

19. 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 2015 (Restated) £'000		31 March 2016 £'000
319	Central Government	2,675
953	Other local authorities	2,981
103	NHS Bodies	38
3,190	Other entities and individuals	3,826
4,565	Total	9,520

The above figures include Trade Receivables of £1.854m (2015 £2.000m) which are classified as Financial Instruments and included in the analysis in Note 17 above.

Long term Debtors:

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

31 March 2015 £'000		31 March 2016 £'000
65	Sundry Mortgages	62
3	Car/Bike Loans to Employees	10
159	Tone Leisure Loan	64
280	Somerset CCC Loan	877
0	Trade Debtors	61
507	Total	1,074

20. 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 2015 £'000		31 March 2016 £'000
7	Cash Held by the Council	6
499	Bank current accounts	1,055
2,301	Call Accounts	4,002
6,038	Bond Funds	7,062
9,813	Money Market Funds	4,253
5,022	Short-term deposits	0
23,680	Total Cash and Cash Equivalents	16,378

21. 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. The valuation is based on the valuations performed by the TDBC valuer. All valuations were carried out in accordance with standards set out by the Royal Institution of Chartered Surveyors (RICS).

Assets Held for Sale:

Current 2014/15 £'000		Current 2015/16 £'000
788	Balance outstanding at start of year	849
553	Property Plant and Equipment newly classified as held for sale	337
(492)	Assets sold	(488)
849	Balance outstanding at year-end	698

22. 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 2015 £'000		31 March 2016 £'000
3,030	Central Government bodies	3,869
1,061	Other local authorities	3,578
6	Public corporations and trading funds	2
10,561	Other entities and individuals	14,256
14,658	Total	21,705

The above figures include Trade Payables of £5.535m (2015 £5.594m) which are classified as Financial Instruments and included in the analysis in Note 17 above.

23. Provisions

2014/15				2015/16		
Business Rates Appeals £'000	Other Provisions £'000	Total £'000		Business Rates Appeals £'000	Other Provisions £'000	Total £'000
1,177	120	1,297	Balance at start of year	2,936	150	3,086
(1,304)	(33)	(1,337)	Amounts used in year	(540)	(103)	(643)
0	0	0	Unused amounts reversed	(476)	0	(476)
3,063	63	3,126	Provisions made in year	0	113	113
2,936	150	3,086	Balance at year-end	1,920	160	2,080

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 £4.799m in respect of the Business Rates Collection Fund. There has not been any significant increase in the number of appeals during 2015/16 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, £96k in respect of a probable obligation to refund Personal Search Fees and £45K in respect of a potential insurance claim relating to an employee's mesothelioma following exposure to asbestos.

24. Usable Reserves

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

25. 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 2015 (Restated) £'000		31 March 2016 £'000
35,003	Revaluation Reserve	46,294
187,069	Capital Adjustment Account	188,760
(92,268)	Pensions Reserve	(78,388)
(2,346)	Collection Fund Adjustment Account	(584)
(420)	Accumulated Absences Account	(326)
0	Available-for-Sale Financial Instruments Reserve	33
127,038	Total Unusable Reserves	155,789

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:

2014/15			2015/16
£'000			£'000
26,563	Balance at 1 April		35,003
9,075	Upwards revaluation of assets	11,734	
(323)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(27)	
8,752	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		11,707
(312)	Difference between fair value depreciation and historical cost depreciation	(326)	
0	Accumulated gains on assets sold or scrapped	(90)	
(312)	Amount written off to Capital Adjustment Account		(416)
35,003	Balance at 31 March		46,294

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 8 – 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.

2014/15			2015/16
£'000			£'000
188,218	Balance at 1 April		187,069
	<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>		
(8,161)	Charges for depreciation and impairment of non-current assets	(8,170)	
(174)	Revaluation losses on Property, Plant and Equipment	(299)	
(98)	Amortisation of intangible assets	(164)	
(642)	Revenue Expenditure funded from capital under statute	(494)	
(3,456)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,363)	
(12,531)			(11,490)
312	Adjusting amounts written out of the Revaluation Reserve		416
(12,219)	Net written out amount of the cost of non-current assets consumed in the year		(11,074)
	<i>Use of the Capital financing applied in the year:</i>		
1,132	Use of the Capital Receipts Reserve to finance new capital expenditure	1,162	
4,100	Use of Major Repairs Reserve to finance new capital expenditure	5,562	
811	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	642	
144	Application of grants to capital financing from the Capital Grants Unapplied Account	278	
1,053	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	1,319	
3,233	Capital Expenditure charged against the General Fund and HRA Balances	4,091	
10,473			13,054
597	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(42)
0	Deferred Debtors repaid		(247)
187,069	Balance at 31 March		188,760

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:

2014/15		2015/16
£'000		£'000
(67,194)	Balance at 1 April	(92,268)
(18,011)	Remeasurement of the Net Defined Pension Liability	18,021
(9,835)	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	(7,099)
2,772	Employer's pensions contributions and direct payments to pensioners payable in the year	2,958
(92,268)	Balance at 31 March	(78,388)

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.

Council Tax £'000	Business Rates £'000	2014/15 (Restated) £'000		Council Tax £'000	Business Rates £'000	2015/16 £'000
30	(1,426)	(1,396)	Balance at 1 April	126	(2,472)	(2,346)
96	(1,046)	(950)	Amount by which Council Tax/NNDR income is credited to the Comprehensive Income and Expenditure Statement is different from Council Tax/NNDR income calculated for the year in accordance with statutory requirements	9	1,753	1,762
126	(2,472)	(2,346)	Balance at 31 March	135	(719)	(584)

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.

2014/15		2015/16	
£'000		£'000	£'000
(355)	Balance at 1 April		(420)
355	Settlement or cancellation of accrual made at the end of the preceding year	420	
(420)	Amounts accrued at the end of the current year	(326)	
(65)	Amount by which officer remuneration charged to the Comprehensive income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements		94
(420)	Balance at 31 March		(326)

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.

2014/15		2015/16
£'000		£'000
0	Balance at 1 April	0
0	Upward revaluation of investments	33
0	Balance at 31 March	33

26. 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:

2014/15		2015/16
£'000		£'000
(245)	Interest Received	(401)
2,679	Interest Paid	2,588
2,434		2,187

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

2014/15 (Restated) £'000		2015/16 £'000
8,160	Depreciation	8,169
175	Impairment and Downward Valuations	299
98	Amortisation	164
(596)	Movement in Fair Value of Investment Property	42
18	Increase/(Decrease) in impairment for Bad Debts	55
3,036	Increase/(Decrease) in Creditors	7,047
(439)	(Increase)/Decrease in Debtors	(5,010)
(12)	(Increase)/Decrease in Inventory	8
7,063	Movement in Pension Liability	4,141
3,456	Carrying amount of non current assets sold	2,362
1,789	Provisions	(1,006)
22,748		16,271

Adjustments for items included in the net surplus/deficit on provision of services that are Investing and Financing Activities (Note 27):

2014/15 £'000		2015/16 £'000
(2,317)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,151)
(2,317)		(3,151)

27. Cash Flow Statement – Investing Activities

2014/15 £'000		2015/16 £'000
(11,242)	Purchase of property, plant and equipment, investment property and intangible assets	(17,439)
(21,451)	Purchase of short-term and long-term investments	(27,112)
(300)	Other payments for investing activities	(700)
2,317	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	3,151
21,020	Proceeds from short-term and long-term investments	15,505
63	Other receipts from investing activities	133
(9,593)	Net cash flows from investing activities	(26,462)

28. Cash Flow Statement – Financing Activities

2014/15 £'000		2015/16 £'000
(2,073)	Repayment of short-term and long-term borrowing	0
(2,073)	Net cash flows from financing activities	0

29. Amounts Reported for Resource Allocation Decisions

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

- No charges are made to services in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement). Capital projects are, however, managed through regular budget reports.
- The cost of retirement benefits is based on cash flows (actual payment of employer’s pensions contributions) rather than current service cost of benefits accrued in the year and identified by actuaries at the end of the year for adjustment into the Comprehensive Income and Expenditure Statement and Balance Sheet.
- The Comprehensive Income and Expenditure Statement includes notional charges for employee benefits accrued but not paid (such as leave entitlement not taken at year-end); this charge is irrelevant for management control purposes and is not shown in the budget reports.
- Expenditure on some support services is budgeted for and controlled centrally and not recharged to services or portfolios until the year-end.
- For management control purposes, General Fund, HRA and capital are all reported separately with the impact on the Council’s reserves shown in summary tables.

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

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

The portfolios are as follows:

COM – Community Leadership
COR – Corporate Resources
ECD – Economic Development Asset Management and the Arts
ENV – Environmental Services
GEN – General Services
HSG – Housing Services (General Fund only)
PTC – Planning, Transportations and Communications
SPL – Sports Parks and Leisure
HRA – Housing Revenue Account

Taunton Deane Borough Council

The income and expenditure of the Council's portfolios reported to management for decisions for the year 2015/16 is as follows:

Portfolio Analysis 2015/16

2015/16	COM £'000	COR £'000	ECD £'000	ENV £'000	GEN £'000	HSG £'000	PTC £'000	SPL £'000	Total GF Portfolios £'000	HRA £'000	Grand Total £'000
Fees, charges and other service income	(13)	(3,557)	(503)	(2,380)	(149)	(317)	(4,651)	(597)	(12,167)	(27,083)	(39,250)
Government grants and contributions	0	(32,476)	(56)	0	0	(30)	(268)	0	(32,830)	0	(32,830)
Total Income	(13)	(36,033)	(559)	(2,380)	(149)	(347)	(4,919)	(597)	(44,997)	(27,083)	(72,080)
Employee expenses	12	5,289	1,303	1,531	172	1,153	1,662	497	11,619	3,233	14,852
Other services and expenses	591	35,057	1,978	4,167	451	650	583	2,235	45,712	8,373	54,085
Support service recharges	65	(3,577)	(202)	711	459	(73)	580	40	(1,997)	1,638	(359)
Total Expenditure	668	36,769	3,079	6,409	1,082	1,730	2,825	2,772	55,334	13,244	68,578
Net Expenditure	655	736	2,520	4,029	933	1,383	(2,094)	2,175	10,337	(13,839)	(3,502)

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

	2015/16 £'000
Net expenditure in the portfolio analysis	(3,502)
Net expenditure of services and support services not included in the portfolio analysis	49
Amounts in the Comprehensive Income and Expenditure Statement not reported to management <u>for decisions</u> in the portfolio analysis	9,218
Amounts included in the portfolio analysis not included in the Comprehensive Income and Expenditure Statement	0
Cost of services in the Comprehensive Income and Expenditure Statement	5,765

Reconciliation to Subjective Analysis

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

2015/16	Portfolio Analysis £'000	Services and Support Services Not in Analysis £'000	Amounts not Reported to Management £'000	Amounts Not Included in CI&ES £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges and other service income	(39,250)	0	0	0	0	(39,250)	(6,096)	(45,346)
Interest and Investment Income	0	0	0	0	0	0	(839)	(839)
Income from council tax	0	0	0	0	0	0	(6,006)	(6,006)
Income from business rates	0	0	0	0	0	0	(3,959)	(3,959)
Government grants and contributions	(32,830)	0	0	0	0	(32,830)	(5,199)	(38,029)
Capital grants and contributions	0	0	0	0	0	0	(1,801)	(1,801)
Total Income	(72,080)	0	0	0	0	(72,080)	(23,900)	(95,980)
Employee expenses	14,852	0	977	0	0	15,829	4,968	20,797
Other service expenses	54,085	49	0	0	(2,440)	51,694	3,140	54,834
Support service recharges	(359)	0	0	0	2,440	2,081	(2,081)	0
Depreciation, amortisation, impairment and REFCUS	0	0	8,241	0	0	8,241	264	8,505
Interest payments	0	0	0	0	0	0	5,584	5,584
Precepts and levies	0	0	0	0	0	0	571	571
Payments to housing capital receipts pool	0	0	0	0	0	0	388	388
Gain or loss on disposal of long term assets	0	0	0	0	0	0	(739)	(739)
Total Expenditure	68,578	49	9,218	0	0	77,845	12,095	89,940
Surplus or deficit on the provision of services	(3,502)	49	9,218	0	0	5,765	(11,805)	(6,040)

Taunton Deane Borough Council

The income and expenditure of the Council's portfolios reported to management for decisions for the year 2014/15 is as follows:

Portfolio Analysis 2014/15

2014/15	COM £'000	COR £'000	ECD £'000	ENV £'000	GEN £'000	HSG £'000	PTC £'000	SPL £'000	Total GF Portfolios £'000	HRA £'000	Grand Total £'000
Fees, charges and other service income	(70)	(3,233)	(449)	(2,367)	(185)	(313)	(5,302)	(381)	(12,300)	(27,060)	(39,360)
Government grants and contributions	(123)	(33,175)	0	0	0	0	(386)	(2)	(33,686)	(46)	(33,732)
Total Income	(193)	(36,408)	(449)	(2,367)	(185)	(313)	(5,688)	(383)	(45,986)	(27,106)	(73,092)
Employee expenses	533	5,487	795	1,275	502	1,105	1,724	417	11,838	2,967	14,805
Other services and expenses	803	35,484	1,778	4,225	374	714	1,470	2,040	46,888	8,550	55,438
Support service recharges	(114)	(3,496)	(379)	697	656	(74)	646	127	(1,937)	1,712	(225)
Total Expenditure	1,222	37,475	2,194	6,197	1,532	1,745	3,840	2,584	56,789	13,229	70,018
Net Expenditure	1,029	1,067	1,745	3,830	1,347	1,432	(1,848)	2,201	10,803	(13,877)	(3,074)

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

	2014/15 £'000
Net expenditure in the portfolio analysis	(3,074)
Net expenditure of services and support services not included in the portfolio analysis	49
Amounts in the Comprehensive Income and Expenditure Statement not reported to management <u>for decisions</u> in the portfolio analysis	12,565
Amounts included in the portfolio analysis not included in the Comprehensive Income and Expenditure Statement	0
Cost of services in the Comprehensive Income and Expenditure Statement	9,540

Reconciliation to Subjective Analysis

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

2014/15 (Restated)	Portfolio Analysis £'000	Services and Support Services Not in Analysis £'000	Amounts not Reported to Management £'000	Amounts Not Included in CI&ES £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges and other service income	(39,360)	0	0	0	0	(39,360)	(9,947)	(49,307)
Interest and Investment Income	0	0	0	0	0	0	(620)	(620)
Income from council tax	0	0	0	0	0	0	(5,900)	(5,900)
Income from business rates	0	0	0	0	0	0	(1,975)	(1,975)
Government grants and contributions	(33,732)	0	0	0	0	(33,732)	(5,077)	(38,809)
Capital grants and contributions	0	0	0	0	0	0	(895)	(895)
Total Income	(73,092)	0	0	0	0	(73,092)	(24,414)	(97,506)
Employee expenses	14,805	0	3,757	0	0	18,562	5,588	24,150
Other service expenses	55,438	49	0	0	(2,091)	53,396	6,168	59,564
Support service recharges	(225)	0	0	0	2,091	1,866	(1,866)	0
Depreciation, amortisation, impairment and REFCUS	0	0	8,808	0	0	8,808	(432)	8,376
Interest payments	0	0	0	0	0	0	5,681	5,681
Precepts and levies	0	0	0	0	0	0	545	545
Payments to housing capital receipts pool	0	0	0	0	0	0	339	339
Gain or loss on disposal of long term assets	0	0	0	0	0	0	1,185	1,185
Total Expenditure	70,018	49	12,565	0	0	82,632	17,208	99,840
Surplus or deficit on the provision of services	(3,074)	49	12,565	0	0	9,540	(7,206)	2,334

30. 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:

		2013/14		2014/15		2015/16	
		£'000	£'000	£'000	£'000	£'000	£'000
Building Maintenance DLO	Turnover	(5,536)		(6,116)		(4,941)	
	Expenditure	5,471		6,095		5,014	
	(Surplus)/Deficit		(65)		(21)		73
Grounds Maintenance DLO	Turnover	(3,270)		(3,211)		(3,499)	
	Expenditure	3,179		3,241		3,460	
	(Surplus)/Deficit		(91)		30		(39)
Net DLO (Surplus)/Deficit			(156)		9		34
Deane Helpline	Turnover	(935)		(976)		(1,024)	
	Expenditure	1,085		1,049		1,091	
	(Surplus)/Deficit		150		73		67
Net Trading (Surplus)/Deficit			(6)		82		101

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.

31. Officers' Remuneration

During 2013/14 Taunton Deane Borough Council approved plans to share a joint management team with West Somerset 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:

		Salary, Fees and Allowances £	Expenses Allowances £	Compensation for Loss of Office £	Total Remuneration excluding pension contributions £	Pension Contribution £	Total £	Annualised Salary £
Chief Executive ¹	2015/16	110,000	1,279	0	111,279	20,240	131,519	110,000
	2014/15	120,000	1,459	0	121,459	0	121,459	120,000
Director Operations & Deputy Chief Executive	2015/16	86,700	1,247	0	87,947	11,704	99,651	86,700
	2014/15	85,425	1,581	0	87,006	11,532	98,538	85,425
Director Growth & Development	2015/16	81,600	1,274	0	82,874	11,016	93,890	81,600
	2014/15	80,400	1,354	0	81,754	10,854	92,608	80,400
Director Housing & Communities	2015/16	81,600	0	0	81,600	11,016	92,616	81,600
	2014/15	80,400	0	0	80,400	10,854	91,254	80,400
Assistant Chief Executive & Monitoring Officer	2015/16	64,770	0	0	64,770	8,744	73,514	64,770
	2014/15	63,818	6	0	63,824	8,615	72,439	63,818
Assistant Director – Housing & Community Development	2015/16	61,200	0	0	61,200	8,262	69,462	61,200
	2014/15	60,300	12	0	60,312	8,141	68,452	60,300
Assistant Director – Planning & Environment	2015/16	61,200	1,354	0	62,554	8,262	70,816	61,200
	2014/15	60,300	1,659	0	61,959	8,141	70,100	60,300
Assistant Director – Corporate Services	2015/16	61,200	1,188	0	62,388	8,262	70,650	61,200
	2014/15	60,300	947	0	61,247	8,141	69,388	60,300
Assistant Director – Operational Delivery	2015/16	61,341	0	0	61,341	8,281	69,622	61,200
	2014/15	60,441	900	0	61,341	8,296	69,637	60,300
Assistant Director – Business Development	2015/16	61,200	0	0	61,200	8,262	69,462	61,200
	2014/15	60,300	0	0	60,300	8,141	68,441	60,300
Assistant Director - Resources	2015/16	61,200	0	0	61,200	8,262	69,462	61,200
	2014/15	60,300	259	0	60,559	8,141	68,700	60,300
Assistant Director – Energy Infrastructure ²	2015/16	61,200	0	0	61,200	8,262	69,462	61,200
	2014/15	46,741	798	0	47,539	6,310	53,849	46,741
Assistant Director – Property & Development ²	2015/16	20,476	0	45,900	66,376	2,288	68,644	61,200
	2014/15	54,494	4,734	0	59,228	7,357	66,585	60,300

Notes:

- 1 The Chief Executive opted out of the pension scheme from 2012/13 to 2014/15.
- 2 The Assistant Director – Energy Infrastructure was appointed on 1 April 2014 and the Assistant Director – Property & Development was appointed on 6 May 2014. The Assistant Director – Property & Development left on 10 July 2015.
- 3 The above posts were shared with West Somerset Council throughout the two years 2014/15 and 2015/16.
- 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 - Resources is 50:50 to Taunton Deane: West Somerset.

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

Remuneration band	2014/15 Number of employees	2015/16 Number of employees
£50,000 - £54,999	1	4
£55,000 - £59,999	4	0
£60,000 - £64,999	2	2
£65,000 - £69,999	3	0
£70,000 - £74,999	1	0
£75,000 - £79,999	3	0
£105,000 - £109,999	1	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 & voluntary redundancies		Total number of exit packages by cost band		Total cost of exit packages in each band £	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
£20,001 - £40,000	0	0	9	1	9	1	308,870	32,830
£40,001 - £60,000	0	1	6	0	6	1	312,780	45,900
£60,001 - £80,000	0	0	5	0	5	0	319,060	0
£80,001 - £100,000	0	0	1	0	1	0	83,500	0
£100,001 - £150,000	0	0	2	0	2	0	255,360	0
Total	0	1	23	1	23	2	1,279,570	78,730

32. 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.

	2014/15 £'000	2015/16 £'000
Allowances	308	309
Expenses	22	15
Total	330	324

33. 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.

2014/15 £'000		2015/16 £'000
67	Fees payable with regard to external audit services carried out by the appointed auditor	51
10	Fees payable for the certification of grant claims and returns	11
77	Total	62

34. Grant Income

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

2014/15 £'000		2015/16 £'000
	Credited to Taxation and Non Specific Grant Income	
2,767	Revenue Support Grant	1,916
0	Council Tax Freeze Grant	62
0	Local Service Support Grant	34
2,311	New Homes Bonus	3,187
895	Capital Grants	1,801
5,973	Total	7,000
	Credited to Services	
18,519	Rent Allowances	18,311
13,302	Rent Rebates	13,062
642	Housing Benefit Admin	627
1,270	Other Grants	940
33,733	Total	32,940

35. 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 34.

Transactions to and from the Pension Fund are detailed in Note 39.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2015/16 is shown in Note 32.

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

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

During 2015/16, works and services to the value of £42,500 were commissioned from an organisation in which one Member had an interest. Contracts were entered into in full compliance with the Council's standing orders. In addition, the Council paid grants totalling £269,586 to voluntary organisations in which six 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 2015/16 works and services to the value of £24,769 were commissioned from organisations in which two senior officers 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 - Resources and the Assistant Director - Corporate Services are Directors of South West Audit Partnership Limited.

36. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR) which is a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

The CFR is analysed as follows:

<i>Capital Financing Requirement (CFR)</i>	2014/15 £'000	2015/16 £'000
Opening Capital Financing Requirement	103,390	105,100
<i>Capital Investment</i>		
Property Plant and Equipment	11,206	17,304
Loans made for service purposes	300	700
Intangible Assets	35	135
Revenue Expenditure Funded from Capital Under Statute	642	494
	12,183	18,633
<i>Sources of Finance</i>		
Capital Receipts	(1,132)	(1,162)
Government Grants and Other Contributions	(955)	(920)
Major Repairs Allowance	(4,100)	(5,562)
<i>Sums Set Aside from Revenue</i>		
Direct Revenue Contributions	(3,233)	(4,091)
Minimum Revenue Provision	(1,053)	(1,319)
	(10,473)	(13,054)
Closing Capital Financing Requirement	105,100	110,679

Explanation of movements in the Capital Financing Requirement in year:

	2014/15 £'000	2015/16 £'000
Increase in underlying need to borrow (unsupported by government financial assistance)	1,747	4,825
Decrease in underlying need to borrow (unsupported by government financial assistance)	0	0
Increase/(Decrease) in the Capital Financing Requirement	1,747	4,825

37. Leases

The Council has leased a number of vehicles for its own use (lessee) and, as lessor, has leased some of its own property to third-party users. IAS17 Leases (the relevant International Accounting Standard) sets out a range of factors to decide whether a lease is an operating lease or a finance lease. The factors are simple in principle but can be complex in practice; in summary, a lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership while a lease is classified as an operating lease simply if it is not a finance lease.

The accounting treatment is quite different. Finance leases are in effect a way of transferring ownership, assets leased under finance leases are shown in the Council's balance sheet as assets, and the cost of the lease is shown as a liability. Operating leases are in effect a way of obtaining the use of an asset, so the lease costs are charged directly to services and the asset is not shown in the balance sheet.

Council as Lessee**Operating Leases**

The Council lease approximately 60 vehicles ranging from vans, lorries and cars to specialist mowers. Lease periods range from 1 to 5 years, most commonly 5 years, and all current operating leases expire by February 2019. The Council also leases a number of properties on operating leases. The total of future minimum lease payments due in future years are:

	31 March 2015 £'000	31 March 2016 £'000
Not later than one year	106	170
Later than one year and not later than five years	95	195
Later than five years and not later than ten years	11	36
Later than ten years	49	170
Total payments due in future years	261	571

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

	2014/15 £'000	2015/16 £'000
Total expenditure charged (minimum lease payments)	192	223

Council as Lessor**Finance Leases**

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

Operating Leases

As part of its work to support local communities, the Council has granted leases in respect of a number of its properties (principally commercial premises and business units) which are treated as operating leases.

Due to the nature of leases granted by the Council, and in particular its aim of tackling community deprivation and sustainable community deprivation mixed with its commercial awareness, the gross investment in the lease and the minimum lease payments that will be received over the following periods are subject to significant and sometimes-unpredictable variables such as property values at rent-review intervals and the subsequent change in lease payments. For example, particularly in the current economic climate, it is in practice impossible to reliably predict how long a new or renewing leaseholder may be prepared to commit to. The figures in the table below are therefore a reasoned estimate assuming that annual lease income remains constant.

Operating Leases:

<i>Operating leases:</i>	31 March 2015 £'000	31 March 2016 £'000
Not later than one year	620	643
Later than one year and not later than five years	2,278	2,362
Later than five years and not later than ten years	2,441	2,530
Total payments due in future years	5,339	5,535

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.

38. Termination Benefits

As part of the Joint Management and Shared Service (JMASS) partnership with West Somerset the Councils jointly terminated the contracts of 2 employees in 2015/16, compared to 23 in 2014/15. See note 31 for the number of exit packages and total cost per band.

39. 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 pensions 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:

	2014/15 £'000	2015/16 £'000
Comprehensive Income and Expenditure Statement (CIES)		
Cost of Services:		
Current Service Cost	3,187	4,043
Past Service Cost	314	0
Settlements	3,229	0
Administration expenses	30	60
Financing and Investment Income and Expenditure:		
Net interest on the defined liability	3,075	2,996
Total Post-Employment Benefits charged to the Surplus on the Provision of Services	9,835	7,099
Remeasurement of the net defined benefit liability comprising:		
Return on assets (excluding the amount included in net interest expense)	(6,729)	2,028
Change in financial assumptions	24,775	(19,954)
Change in demographic assumptions	0	0

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	2014/15 £'000	2015/16 £'000
Experience (gain)/loss on defined benefit obligation	(35)	(95)
Other actuarial (gains)/losses on assets	0	0
Total Post Employment Benefit Charged to the CIES	18,011	(18,021)
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	(9,835)	(7,099)
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers contributions payable to scheme	2,772	2,958

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:

	Local Government Pension Scheme	
	2014/15 £'000	2015/16 £'000
Present value of the defined benefit obligation	(179,985)	(165,636)
Fair value of plan assets	87,717	87,248
Surplus/(Deficit) in the scheme	(92,268)	(78,388)

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

	Funded Liabilities: Local Government Pension Scheme	
	2014/15 £'000	2015/16 £'000
Opening balance at 1 April	(140,242)	(179,985)
Current service cost	(3,187)	(4,043)
Interest cost	(6,535)	(5,870)
Change in financial assumptions	(24,775)	19,954
Change in demographic assumptions	0	0
Experience (loss)/gain on defined benefit obligation	35	95
Contributions by scheme participants	(818)	(899)
Benefits paid	5,439	4,961
Past service costs, including curtailments	(314)	0
Settlements	(9,743)	0
Unfunded pension payments	155	151
Closing balance at 31 March	(179,985)	(165,636)

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2014/15 £'000	2015/16 £'000
Opening balance at 1 April	73,048	87,717
Interest on assets	3,460	2,874
Return on assets less interest	6,729	(2,028)
Other actuarial gains/(losses)	0	0
Administration expenses	(30)	(60)
Employer contributions	2,772	2,958
Contributions by scheme participants	818	899
Benefits Paid	(5,594)	(5,112)
Settlements	6,514	0
Closing balance at 31 March	87,717	87,248

Local Government Pension Scheme assets comprised:

	Fair Value of Scheme Assets	
	2014/15 £'000	2015/16 £'000
Equities	61,161	59,801
Gilts	5,757	6,580
Other bonds	9,171	9,625
Property	8,018	9,823
Cash	3,610	1,419
Total	87,717	87,248

From the information we have received from the Administering Authority we understand that of the total Fund at 31 March 2016 approximately £3.732m (2015 £6.228m) of Equities and £9.823m (2015 £8.018m) 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 2013.

The principal assumptions used by the actuary are detailed in the table below:	Local Government Pension Scheme	
	2014/15	2015/16
Mortality assumptions		
Longevity at 65 for pensioners retiring today:		
Men	23.7	23.8
Women	26.1	26.2
Longevity at 65 for pensioners retiring in 20 years:		
Men	26.0	26.1
Women	28.4	28.5
Financial assumptions		
RPI Increases	3.2%	3.3%
CPI Increases	2.4%	2.4%
Rate of increase in salaries	4.2%	4.2%
Rate of increase in pensions	2.4%	2.4%
Rate for discounting scheme liabilities	3.3%	3.7%
Take-up of option to convert annual pension into retirement lump sum	10%	10%

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)	(5,077)	4,922
Rate of increase in salaries (increase or decrease by 0.1%)	(375)	372
Rate of increase in pensions (increase or decrease by 0.1%)	(2,731)	2,680
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	3,012	(3,070)

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 £78,388,000 has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

The deficit on the Local Government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

The total of contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2017 is £2,977,000.

40. Contingent Liabilities

Tone Leisure

During 2004/05, the Council created a Leisure Trust, Tone Leisure, to manage its leisure services on its behalf. The Council fully deficit-funds the Leisure Trust. During the creation of the trust, Tone Leisure has become an admitted body into the Somerset County Council Pension Fund and the Council has provided a guarantee that it will meet the employers' contributions due to the Pension Fund if the Trust were to fail to make the necessary payments. In addition if there were to be a deficit on the Pension Fund - attributable to Tone Leisure's employee pension entitlements at the date of termination of the Council's relationship with the Trust - then the Council would need to make good that deficit by increasing its own contributions to the Fund on an agreed basis. The deficit on the Pension Fund attributable to Tone Leisure at 31 March 2016 has not been included within the Council's main financial statements. However, the amount disclosed, in compliance with the relevant accounting requirements, does not fully reflect the Council's overall potential liability in this matter, which amounts to approximately £1.630m (2014/15 £3.155m).

Business Rates Retention

The total provision for current and backdated appeals stands at £4.799m (2014/15 £7.340m), of this the Council share is £1.920m (2014/15 £2.936m). There could be future appeals in respect of rates billed to date but there is no reasonable basis of estimating what that total could be.

South West Audit Partnership Limited

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

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.

Staff Costs charged to Southwest One

The Council is in potential dispute with Southwest One regarding employers pension contributions recharged to Southwest One under contractual arrangements. The disagreement relates to the pension deficit recovery element of the employers pension rate that is included in costs recharged by TDBC to Southwest One, in respect of the TDBC secondees. When the contract commenced, the deficit element

was included within the overall employers contribution rate; however, following a change in process implemented by the Pension Fund actuary in April 2014, the deficit recovery element has been separated into an annual lump sum with a lower employers pension contribution rate calculated on salaries paid. The Council's view is that, although the two elements of employer contribution rate are now separate, substantially the costs continue to be correctly charged to Southwest One through the agreed pricing mechanism. The amount is not disclosed for commercial reasons; however, it is in excess of £50,000 which is the minimum basis we use for disclosure of contingent liabilities.

41. Nature and Extent of Risks Arising From Financial Instruments

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

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

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

The main risks covered are:

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

Credit Risk: Investments

The Council manages credit risk by ensuring that investments are placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, and other local authorities without credit ratings. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial organisations for investment.

A limit of up to £4.0m 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 £4.0m 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 £4.0m 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 2016 that this was likely to crystallise.

The Council does not hold collateral against any investments.

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

Credit Rating	Long Term		Short Term	
	31/03/2015	31/03/2016	31/03/2015	31/03/2016
	£'000	£'000	£'000	£'000
AAA	3,446	11,075	0	11,250
AA-	0	0	4,000	2,000
A+	0	0	0	1,000
A	0	0	9,300	4,000
A-	0	0	15,836	6,000
Unrated	0	0	0	1,000
Total	3,446	11,075	29,136	25,250

Trade Receivables

During 2015/16 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 2015 Trade Debtors £'000		31 March 2016 Trade Debtors £'000	31 March 2016 Impairment £'000	31 March 2016 Trade Debtors not impaired £'000
1,497	Less than three months	1,004	0	1,004
3	Over three months up to six months	64	9	55
71	Over six months up to one year	55	8	47
38	More than one year	198	131	67
1,609		1,321	148	1,173

Liquidity Risk

The Authority has ready access to borrowing at favourable rates from the Public Works Loans Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. The risk is managed by maintaining a spread of fixed rate loans.

The maturity analysis of the principal sums borrowed is as follows

	Long-term		Short Term	
	31 March 2015 £'000	31 March 2016 £'000	31 March 2015 £'000	31 March 2016 £'000
Loans by Type				
Public Works Loan Board	89,198	86,500	0	2,698
Other Financial Institutions	3,000	3,000	0	0
	92,198	89,500	0	2,698
Loans by Maturity				
Less than 1 year	0	0	0	2,698
Over 1 but not over 2 years	2,698	4,000	0	0
Over 2 but not over 5 years	10,500	10,000	0	0
Over 5 but not over 10 years	31,500	35,000	0	0
Over 10 but not over 15 years	40,500	33,500	0	0
Over 15 but not over 20 years	0	0	0	0
More than 20 years	7,000	7,000	0	0
	92,198	89,500	0	2,698

The Council has a £3m “Lender’s option, borrower’s option” (LOBO) loan due to mature in 2077. This is where the lender has the option to propose an increase in the rate payable, the Council will have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay these loans.

Market Risk

Interest Rate Risk

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

- Borrowings at variable rates – the interest expense will rise
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- Investments at variable rates – the interest income credited will rise
- Investments at fixed rates – the fair value of the assets will fall

Investments classed as “loans and receivables” and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments classed as “available for sale” will be reflected in Other Comprehensive Income and Expenditure.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates.

If all interest rates had been 1% higher with all other variables held constant, the financial effect would be:

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	2014/15	2015/16
	£'000	£'000
Increase in interest payable on variable rate borrowings	50	50
Increase in interest receivable on variable rate investments	(181)	(152)
Impact on Surplus or Deficit on the Provision of Services	(131)	(102)
Decrease in fair value of fixed rate borrowings	8,547	7,573
Decrease in fair value of fixed rate available-for-sale investments	94	266

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.

2014/15		Note	2015/16	
£'000	£'000		£'000	£'000
		Income		
	(24,545)	Dwelling rents		(25,021)
	(576)	Non dwelling rents		(604)
	(1,131)	Charges for services/facilities		(1,011)
	(474)	Contributions towards expenditure		(420)
	(26,726)			(27,056)
		Expenditure		
6,824		Repairs and maintenance	6,018	
5,431		Supervision and management	6,586	
271		Rents, rates, taxes and other charges	325	
6,774		Depreciation and impairment of fixed assets	6,691	
0		Revenue expenditure funded from capital under statute	120	
87		Movement in the allowance for bad debts	81	
	19,387			19,821
	(7,339)	Net Income of HRA Services as included in the Comprehensive Income and Expenditure Statement		(7,235)
	256	HRA services share of corporate and democratic core		206
	(7,083)	Net Income of HRA Services		(7,029)
		HRA share of operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
	1,185	(Gain) or loss on sale of HRA fixed assets		(975)
	2,778	Interest payable and similar charges		2,760
	(78)	Interest and investment income		(131)
	430	Pensions interest cost		404
	0	Capital grants and contributions		(120)
	(2,768)	(Surplus)/Deficit for the year on HRA services		(5,091)

Statement of Movement on the HRA Balance

2014/15			2015/16	
£'000	£'000		£'000	£'000
	3,059	Balance on the HRA at the end of the previous year		3,483
2,768		Surplus or (deficit) for the year on the HRA Income and Expenditure Account	5,091	
(613)		Adjustments between accounting basis and funding under statute (see analysis below)	(3,079)	
2,155		Net Increase or (decrease) before transfers to or from reserves	2,012	
(1,608)		Transfers (to) or from reserves	(2,673)	
(123)		Other movements	(147)	
	424	Increase or (decrease) in the year on the HRA		(808)
	3,483	Balance on the HRA at the end of the current year		2,675

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.

2014/15		2015/16
£'000		£'000
(9)	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statute requirements	(20)
1,185	Reversal of (gain) or loss on sale of HRA non-current assets	(975)
(1,845)	Capital Expenditure charged against revenue	(1,766)
493	HRA share of contributions to or from the Pensions Reserve	558
(6,700)	Transfer to/(from) the Major Repairs Reserve	(6,674)
6,263	Transfer to/(from) the Capital Adjustment Account	5,798
(613)		(3,079)

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.

2014/15 (Restated)			2015/16			
Business Rates £'000	Council Tax £'000	Total £'000		Business Rates £'000	Council Tax £'000	Total £'000
			Income			
0	(55,229)	(55,229)	Council Tax Receivable	0	(56,835)	(56,835)
(40,100)	0	(40,100)	Business Rates Receivable	(39,851)	0	(39,851)
(140)	0	(140)	Transitional Protection Payments	(177)	0	(177)
			Apportionment of Previous Year's Surplus/(Deficit)			
(432)	0	(432)	Central Government	(887)	0	(887)
(78)	238	160	Somerset County Council	(160)	907	747
0	39	39	Avon & Somerset Police Authority	0	151	151
(9)	18	9	Devon & Somerset Fire & Rescue Authority	(18)	67	49
(345)	35	(310)	Taunton Deane Borough Council	(710)	135	(575)
(41,104)	(54,899)	(96,003)		(41,803)	(55,575)	(97,378)
			Expenditure			
			Demands and Shares			
19,328	0	19,328	Central Government	19,904	0	19,904
3,479	38,691	42,170	Somerset County Council	3,583	39,395	42,978
0	6,454	6,454	Avon & Somerset Police Authority	0	6,703	6,703
387	2,896	3,283	Devon & Somerset Fire & Rescue Authority	398	3,007	3,405
15,462	5,739	21,201	Taunton Deane Borough Council	15,923	5,862	21,785
164	0	164	Costs of Collection	164	0	164
4,398	0	4,398	Increase/(Decrease) in Provision for appeals	(2,540)	0	(2,540)
151	54	205	Increase/(Decrease) in allowance for impairment of bad and doubtful debts	(362)	383	21
179	177	356	Write offs during the year	258	140	398
0	0	0	Interest on refunds	16	0	16
98	0	98	Disregarded amounts	148	0	148
43,646	54,011	97,657		37,492	55,490	92,986
2,542	(888)	1,654	(Surplus)/Deficit for the year	(4,311)	(85)	(4,396)
3,639	(295)	3,344	(Surplus)/Deficit Balance Brought Forward	6,181	(1,183)	4,998
6,181	(1,183)	4,998	(Surplus)/Deficit Balance Carried Forward	1,870	(1,268)	602
			Attributable to:			
3,090	0	3,090	Central Government	935	0	935
557	(851)	(294)	Somerset County Council	169	(910)	(741)
0	(142)	(142)	Avon & Somerset Police Authority	0	(154)	(154)
62	(64)	(2)	Devon & Somerset Fire & Rescue Authority	19	(69)	(50)
2,472	(126)	2,346	Taunton Deane Borough Council	747	(135)	612
6,181	(1,183)	4,998		1,870	(1,268)	602

Notes to the Supplementary Statements**Housing Revenue Account****A Housing Stock**

The Council was responsible for managing over 5,800 dwellings during 2015/16. The stock at 31 March was made up as follows:

	31 March 2015	31 March 2016
Houses	2,940	2,911
Bungalows	850	849
Flats and Maisonettes	2,030	2,042
	5,820	5,802
Shared Equity	1	1
	5,821	5,803

The change in stock was made up of 38 sales, 2 demolitions pending redevelopment, 2 acquisitions and the completion of 20 new builds.

B Value of Assets

The balance sheet value of HRA assets at 31 March 2015 and 31 March 2016 is shown below.

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000	Total Property Plant and Equipment £'000	Assets Held for Sale £'000	Intangible Assets £'000	TOTAL Assets £'000
Cost or Valuation								
At 1 April 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 for Sale	(337)	0	0	0	(337)	337	0	0
At 31 March 2016	229,031	19,380	198	1,987	250,597	482	753	251,833
Accumulated Depreciation and Impairments								
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

Comparatives 2014/15	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000	Total Property Plant and Equipment £'000	Assets Held for Sale £'000	Intangible Assets £'000	TOTAL Assets £'000
Cost or Valuation								
At 1 April 2014	209,892	19,220	120	1,987	231,219	572	740	232,531
Additions	9,818	0	17	0	9,835	0	0	9,835
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,254	232	0	0	1,486	0	0	1,486
Derecognition – Disposals	(917)	0	0	0	(917)	(491)	0	(1,408)
Derecognition - Other	(1,775)	(277)	0	0	(2,052)	0	0	(2,052)
Reclassified from General Fund	0	10	0	0	10	0	0	10
Reclassified (to)/from Held for Sale	(518)	(35)	0	0	(553)	553	0	0
At 31 March 2015	217,754	19,150	137	1,987	239,028	634	740	240,402
Accumulated Depreciation and Impairments								
At 1 April 2014	0	(304)	(70)	(307)	(681)	0	(430)	(1,111)
Depreciation Charge	(6,347)	(289)	(13)	(51)	(6,700)	0	(74)	(6,774)
Depreciation written out to the Revaluation Reserve	6,347	214	0	0	6,561	0	0	6,561
Derecognition – Disposals	0	5	0	0	5	0	0	5
At 31 March 2015	0	(374)	(83)	(358)	(815)	0	(504)	(1,319)
Net Book Value as at 31 March 2015	217,754	18,776	54	1,629	238,213	634	236	239,083

C Value of Dwellings at 1 April 2015

The open market value of dwellings within the HRA at 1 April 2015 is £721,741,000 compared with the balance sheet value of £229,031,000. The difference of £492,710,000 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 2015		31 March 2016
£'000		£'000
505	Rent arrears	544
(218)	Provision for bad debts	(251)
287	Anticipated collectable arrears	293
2.0%	Arrears as % of gross rent income	2.2%

E Rent Rebates

Assistance with rents is available under the Housing Benefits scheme for tenants on low incomes. The rent shown in the HRA is the gross rent before rent rebates are granted.

F Gross Rent Income

This is the total rent income due for the year after allowing for voids. During the year 0.75% (0.86% in 2014/15) of available properties were vacant. Average weekly rents were £82.94, an increase of £2.20 (2.72%) 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.

2014/15		2015/16
£'000		£'000
2,464	Balance at 1 April	5,064
6,700	Transfer from revenue to MRR	6,674
(4,100)	Financing of HRA Capital Expenditure	(5,562)
5,064	Balance at 31 March	6,176

H Revenue Expenditure funded from Capital under Statute

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

2014/15		2015/16
£'000		£'000
0	Capital Expenditure	120
0	Total	120

I Total Capital Expenditure and Receipts

2014/15		2015/16
£'000		£'000
	HRA Capital Expenditure	
9,818	Dwellings	11,197
34	Intangible Assets	13
17	Vehicles Plant and Equipment	61
0	Revenue Expenditure funded from Capital under Statute	120
9,869		11,391
	Financed By	
1,124	Capital Receipts	366
0	Government Grants and Other Contributions	157
1,845	Contribution from Revenue	1,766
4,100	Major Repairs Reserve	5,562
2,800	Borrowing	3,540
9,869		11,391

The table below shows the amount of capital receipts received by the HRA and what they were for:

2014/15	Housing Capital Receipts	2015/16
£'000		£'000
2,317	Dwellings	2,665
0	Land	0
(46)	Administrative cost of sales	(49)
2,271		2,616

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 £146,313 (2014/15 £46,514) 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 2015/16, 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)	7.38	5/9	4.10
A	4,219.65	6/9	2,813.10
B	11,697.17	7/9	9,097.80
C	8,215.65	8/9	7,302.80
D	6,346.50	9/9	6,346.50
E	5,269.01	11/9	6,439.90
F	3,168.76	13/9	4,577.10
G	1,452.18	15/9	2,420.30
H	63.75	18/9	127.50
	40,440.05		39,129.10
Less Adjustment for Non-Collection of Rates			(780.55)
Council Tax Base			38,348.55

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 2016 was £103,025,068 (31 March 2015 £102,434,192). The standard national non-domestic multiplier for the year was £0.493 (2014/15 £0.482); the national non-domestic small business multiplier for the year was £0.480 (2014/15 £0.471).

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 2015/16 was £315k.

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 its own general fund.

Collection Fund Adjustment Account

The collection fund adjustment account represents the Council's share of the collection fund surplus or deficit.

Community Assets

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Commuted Sum

An amount paid to the Council by a developer to cover the cost of maintaining a piece of land over a number of years, usually play areas.

Componentisation

Where an asset is split into significant components (e.g. a building could be split into building/windows/roof/boiler) to enable them to be depreciated over their separate useful lives.

Corporate and Democratic Core

The corporate and democratic core comprises all activities, which local authorities engage in specifically because they are elected, multi-purpose authorities. The costs of these activities are over and above those that would be incurred by a series of independent, single purpose, nominated bodies managing the same services.

Council Tax

The main source of local taxation for local authorities. Council tax is set by local authorities and is levied on all domestic dwellings whether houses, bungalows, flats, maisonettes, mobile homes or houseboats, and whether owned or rented. The proceeds are paid into the Council's Collection Fund for distribution to precepting authorities and for use by its own General Fund.

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.

Fixed Assets

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

General Fund

All district and borough councils have to maintain a general fund which is used to pay for day-to-day items of non-housing revenue expenditure such as wages and salaries, heating and lighting, office supplies, etc. Spending on the provision of council housing, however, must be charged to a separate Housing Revenue Account.

Government Grants

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

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.

Taunton Deane Borough Council

The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's council tax.

Revenue Support Grant (RSG)

This is the grant which the government pays to the Council to bridge the gap between income raised by the council tax and NDR and the total assessment of the authority's need to spend (as measured by its standard spending assessment). The payment of RSG attempts to ensure that differences in spending needs and resources between authorities are equalised, in order to permit each authority to support a standard level of spending.

SeRCOP

The CIPFA Service Reporting Code of Practice (SeRCOP) applies to all local authority services throughout the United Kingdom from 1 April 2014 for the preparation of 2014/15 Budgets, Performance Indicators and Statement of Accounts.

Support Service Recharges

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

Useful Life

The period over which the local authority will derive economic benefits from the use of a fixed asset.

Work in Progress

The value of work on an uncompleted project at the balance sheet date, which has yet to be recovered from the client.

28/09/2016, Report:Grant Thornton - External Audit Findings
Reporting Officers:Peter Barber,Kevin Henderson

28/09/2016, Report:Approval of the Statement of Accounts
Reporting Officers:Jo Nacey

28/09/2016, Report:Going Concern
Reporting Officers:Jo Nacey

06/12/2016, Report:Health and Safety Six Monthly Update
Reporting Officers:Catrin Brown

06/12/2016, Report:Grant Thornton - Annual Audit Letter
Reporting Officers:Peter Barber,Kevin Henderson

06/12/2016, Report:Grant Thornton - External Audit Update
Reporting Officers:Peter Barber,Kevin Henderson

06/12/2016, Report:SWAP Internal Audit - Progress Report
Reporting Officers:Alastair Woodland

Report:Health and Safety Six Monthly Update
Reporting Officers:Catrin Brown

Report:Review of Financial Regulations
Reporting Officers:Jo Nacey

Corporate Governance Committee – 28 September 2016

Present: Councillor Sully (Chairman)
Councillor Mrs Blatchford (Vice-Chairman)
Councillor Booth, Cavill, Coles, Hall, Nicholls and Mrs Reed

Officers: Sue Williamson (Principal Accountant), Paul Fitzgerald (Assistant Director - Resources), Shirlene Adam (Director – Operational Delivery and s151 Officer) and Emma Hill (Democratic Services Officer)

Also Present: Councillor Berry
Peter Barber - Associate Director, Grant Thornton
Kevin Henderson – Audit Manager, Grant Thornton

(The meeting commenced at 6.15 pm)

35. Apologies/Substitutions

Apologies: Councillors Horsley, Hunt, Ryan, Miss Smith, Tucker and Mrs Webber
Substitution: Councillor Coles for Councillor Miss Smith

36. Declaration of Interests

Councillor Coles declared a personal interest as a Member of Somerset County Council and Member of Devon and Somerset Fire and Rescue Service. Councillor Hall declared a personal interest as a Director of Southwest One.

37. Assessment of Going Concern

Members considered the report previously circulated, concerning the S151 Officer's assessment of the Council as a "going concern" for the purpose of producing the Statement of Accounts for 2015/16.

The S151 Officer presented the report, which detailed the main factors underpinning the assessment of the Council's Going Concern as being:

- The Council's current financial position,
- The Council's Year End Position,
- Current and Projected financial position for Revenue, Capital and Balance Sheet.
- The Council's Treasury Arrangements
- Governance arrangements;
- The regulatory and control environment applicable to the Council as a local authority.

Additionally, the report detailed emerging risks that could potentially affect the Council in the following areas:

- NHS claims for Business Rates Discount
- Asset Condition and Compliance Surveys

- Transformation and the Business Cases for change

It was considered that, having regard to the Council's arrangements and such factors as were highlighted in this report, the Council remained a "going concern until at least September 2017 i.e. One year from expected opinion on the Council's 2015/16 financial statements". This assessment would be undertaken annually in the course of preparing the Council's financial statements for each year.

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

- In response to a question asking who made the decision as to what was a reasonable reserve for the Council, the Committee were informed that S151 Officer would decide ultimately that the level set was acceptable following the appropriate assessments and provisions being completed by the Council.
- Members queried if the 'going concern' status would change following the creation of a new authority and were informed that the Council was aware that the decision taken by both Council to merge and the continuing transformation plans would bring savings for both Councils. If the Council progressed to the stage where a new Council was created, the new Council's Medium Term Financial (MTF) plan would need to be assessed under the current regime. The s151 Officer stated there were no issues giving cause for concern regarding the proposed merger at the current time. Members asked if there is any indication of the amount of potential Business Rate refund claim stated in the emerging risks and were informed that Officers had made estimations looking at both best and worst case scenarios. The Council had set aside funding just in case a claim was made. The estimated worst case scenario was around £800,000. As of yesterday, the Council had not received any application for business rate refunds.

Resolved that the outcome of the assessment made of the Council's status as a "going concern" for the purposes of the draft Statement of Accounts for 2015/16 be noted.

38. Grant Thornton External Audit – External Audit Progress Update

Members considered the report previously circulated which provided a regular progress and update report in relation to prescribed audit work to date for the financial year and also provided an update in relation to emerging national issues that might impact on the Council.

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 2016. The Auditors 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.

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

- Members expressed their thanks to Council Officers involved and external auditors Grant Thornton for their continued co-operation in working towards the bringing forward of the completion for signing off of the audited accounts.

Resolved that the Officer's update report be noted.

39. Grant Thornton External Audit – External Audit Findings Report

Members considered the report previously circulated, concerning 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.

That following the detailed review of financial statements and our governance and control arrangements, the Auditor had indicated his intention to provide an “unqualified” opinion on our accounts for 2015/16, 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.

The Unaudited Statement of Accounts 2015/16 were signed off by the Council's S151 Officer in June 2016 within the statutory deadline, and before the start of the external audit review.

The external audit review had been completed and the auditor had 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.

The auditor had also reviewed our arrangements to secure economy, efficiency and effectiveness in our use of resources, and provided an opinion in the form of a value for money conclusion and their report stated that “the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources”.

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

- Members were reassured that any misclassification issues (as highlighted on page 25 of the report) had been addressed to prevent reoccurrence in future years.

Resolved that the Council's Statement of Accounts and to support the action plan in the report be noted.

40. Approval of Statement of Audited Accounts

Members considered the report previously circulated, concerning the Statement of Accounts for 2015/16. This report is required to be approved by the Corporate Governance Committee and signed by the S151 Officer (Shirlene Adam) and the Chair of the Corporate Governance Committee (Councillor Sully).

A copy of the Statement of Accounts was attached with the covering report.

This report also linked to and reflected the Audit Findings Report, which was prepared by and would be presented by the Council's external auditors, Grant Thornton UK LLP.

The Accounts and Audit Regulations 2011 require the Statement of Accounts to be approved by a resolution of a nominated committee. The current constitutional arrangements devolve this responsibility to the Corporate Governance Committee.

The S151 officer was 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.

The Council's Statement of Accounts had been audited this year by Grant Thornton UK LLP and was 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.

The Statement of Accounts for 2015/16 had 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 2015/16.

In 2015/16 there were no significant changes to our accounting requirements which might have made it necessary to change the comparative financial details related to 2014/15. However, as reported in our draft accounts we had reviewed our computations relating to our Business Rates Collection fund. This had led to a restatement of the 2013/14 and 2014/15 accounts and a revision to the 2015/16 accounts from the draft accounts that were publicised in June. The details of the restatement were found in Note 2 to the accounts.

The Statement of Accounts contain four main statements reflecting the position of the Council at 31 March 2016:

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

There were 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.

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 was good news and means that the Auditors agree that the Accounts provide a "true and fair view" of the financial position.

During the audit, there were a number of amendments to the Draft Accounts, particularly to correct the position on the Business Rates Collection Fund and also regarding the valuation of our assets which have been reviewed at year end. This was shown in the Audit Findings Report earlier on this agenda. These amendments now mean that we had addressed the issues, which we identified in our Business Rates recalculations and the valuation issues the external auditors raised as part of their audit.

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

- In response to a question asking what was the deficit amount paid by the smoothing fund and what was the balance of the fund, the Committee were informed that smoothing fund had been £2 million and our share of the deficit amount was £748,000. This would leave in the smoothing fund £1.3 million.
- Officers reassured the Committee, that the Council had taken this issue very seriously and that action had been taken, which included the tightening of controls surrounding Collection fund.
- In response to a question asking why had there been an increase in the Council's bad debt provision, the Committee were informed that this sat within the earmarked reserves of Housing Revenue Account (HRA). It related to a provision made following the assessment of potential rent arrears for the following year and this provision would be reviewed annually. The increase in the provisions was directly linked to the Welfare Reform and in preparation for the introduction of Universal Credit.
- In response to a question asking was there anything the Council could do to ensure total cost recovery within the Planning Fee structure the Committee were informed that planning fees were set by the Government and elements of the service were funded by the taxpayer, but not the entire service. The figure displayed had been an overall planning figure.
- Director of Operations wanted to add her personal and corporate thanks to the Finance Team as they had worked extremely hard to get the Council to a position tonight, where we could sign off the Statement of Accounts. Director of Operations expressed her thanks for the patience of the Council's auditors as these boundaries had been tested and pushed beyond normal with the delays.
- Also the Director offered thanks and congratulations to Principal Accountant Sue Williamson for presenting with such clarity tonight.

Resolved that:-

1. The Auditor's unqualified opinion on the Statement of Accounts be noted;
2. The Statement of Accounts 2015/16 as presented to the Committee be approved; and
3. The Chairman of the Committee and the S151 Officer be authorised to sign off the Statement of Accounts.

41. Corporate Governance Committee Forward Plan

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

Resolved that the changes to the Corporate Governance Committee Forward Plan be noted.

(The meeting ended at 7.21pm).