

The Council's Vision:

To enable people to live, work and prosper in West Somerset

AUDIT COMMITTEE

AGENDA

22 September 2014 at 2.30 pm

Council Chamber, Williton

1. **Apologies for Absence**

2. **Minutes**

Minutes of the Meeting of the Committee held on 1 July 2014 – **SEE ATTACHED** – to be confirmed.

3. **Declarations of Interest**

To receive and record any declarations of interest in respect of any matters included on the Agenda for consideration at this Meeting.

4. **Public Participation**

The Chairman to advise the Committee of any items on which members of the public have requested to speak and advise those members of the public present of the details of the Council's public participation scheme.

For those members of the public wishing to speak at this meeting there are a few points you might like to note.

A three-minute time limit applies to each speaker and you will be asked to speak before Councillors debate the issue. There will be no further opportunity for comment at a later stage. Your comments should be addressed to the Chairman and any ruling made by the Chair is not open to discussion. If a response is needed it will be given either orally at the meeting or a written reply made within five working days of the meeting.

5. **Audit Committee Action Plan**

To update the Audit Committee on the progress of resolutions and recommendations from previous meetings – **SEE ATTACHED**.

6. **Audit Committee Forward Plan**

To review the Audit Committee Forward Plan 2014 – **SEE ATTACHED**.

7. **Internal Audit Plan 2014-15 Progress Update**

To consider Report No. WSC 129/14, to be presented by Alastair Woodland, Audit Manager, SWAP – **SEE ATTACHED**.

The purpose of the report is to update members on the Internal Audit Plan 2014-15 progress and bring to their attention any significant findings identified through our work.

8. Debt Analysis - as at 30 June 2014

To consider Report No. WSC 133/14, to be presented by Steve Plenty, Finance Manager – **SEE ATTACHED.**

The purpose of the report is to provide the Audit Committee with an update on the level of debts outstanding to the Authority as at 30 June 2014.

9. Audited Statement of Accounts 2013/14

To consider Report No. WSC 135/14, to be presented by Steve Plenty, Finance Manager – **SEE ATTACHED.**

The purpose of the report is to review and approve the audited Statement of Accounts prior to its signature by the Chair of the Committee and the Section 151 Officer.

10. External Audit 2013/14 – Audit Findings

To consider Report No. WSC 134/14, to be presented by Steve Plenty, Finance Manager and Peter Barber (Grant Thornton) – **SEE ATTACHED.**

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

11. External Audit 2013/14 Certification Plan

To consider Report No. WSC 130/14, to be presented by Peter Barber, Associate Director, Grant Thornton – **SEE ATTACHED.**

The purpose of the report is to set out the process that the Council's appointed external auditor, Grant Thornton, will follow in respect of the grant certification work that needs to be undertaken at West Somerset Council.

12. Annual Governance Statement – Actions Update

To consider Report No. WSC 131/14, to be presented by Paul Harding, Corporate Strategy and Performance Manager – **SEE ATTACHED.**

The purpose of the report is to provide Members with an update on progress against the actions identified within the Annual Governance Statement 2013/14.

13. South West Audit Partnership Ltd (SWAP Ltd) Pension Guarantee

To consider Report No. WSC 132/14, to be presented by Steve Plenty, Finance Manager – **SEE ATTACHED.**

The purpose of the report is to inform Audit Committee of the potential financial liability in relation to the possible employers pension liability in the future as a result of being a member of the South West Audit Partnership Ltd. (SWAP Ltd).

14. Corporate Anti-Fraud

To consider Report No. WSC 136/14, to be presented by Paul Fitzgerald, Assistant Director - Resources – **SEE ATTACHED.**

The purpose of the report is to advise Members on our progress in developing our approach to Corporate Fraud. It gives information of joint working with other Local Authorities and the South West Audit Partnership (SWAP). The report also informs Members of potential funding opportunities provided through the Department for Communities and Local Government (DCLG) through a bidding process announced in July 2014.

COUNCILLORS ARE REMINDED TO CHECK THEIR POST TRAYS

The Council's Vision:

To enable people to live, work and prosper in West Somerset

The Council's Corporate Priorities:

- Local Democracy:
Securing local democracy and accountability in West Somerset, based in West Somerset, elected by the people of West Somerset and responsible to the people of West Somerset.
- New Nuclear Development at Hinkley Point
Maximising opportunities for West Somerset communities and businesses to benefit from the development whilst protecting local communities and the environment.

The Council's Core Values:

- Integrity
- Respect
- Fairness
- Trust

AUDIT COMMITTEE**Minutes of the Meeting held on 1 July 2014 at 2.30 pm****Present:**

Councillor E MayVice Chairman (In the Chair)

Councillor M J Chilcott
Councillor D J Sanders

Councillor D Ross

Officers in Attendance

Assistant Director – Corporate Services (R Sealy)
Principal Accountant/Deputy Section 151 Officer (S Plenty)
Efficiencies and Performance Manager (K Batchelor)
Meeting Administrator (R Bryant)

Also in Attendance

Peter Barber, Associate Director, Grant Thornton
Claire Hodgson, Audit Manager of South West Audit Partnership (SWAP)
Alastair Woodland, Audit Manager of SWAP

A1 Apologies for Absence

The Chairman (Councillor S Goss) and Councillor M O A Dewdney

A2 Minutes

(Minutes of the Meeting of the Audit Committee held on 24 March 2014 –
circulated with the Agenda.)

RESOLVED that the Minutes of the Audit Committee held on 24 March 2014,
be confirmed as a correct record.

A3 Declarations of Interest

No interests were declared.

A4 Public Participation

No members of the public had requested to speak on any item on the Agenda.

A5 Audit Committee Action Plan

(Audit Committee Action Plan, circulated with the Agenda.)

Noted that there were no resolutions/recommendations from the meeting held
on 24 March 2014 that required monitoring.

A6 Audit Committee Forward Plan

(Copy of the Audit Committee Forward Plan circulated with the agenda.)

RESOLVED that the Audit Committee Forward Plan published 21 March 2014, be noted.

A7 South West Audit Partnership Governance Arrangements

(Report No. WSC 90/14, circulated with the Agenda.)

The purpose of the report was a proposal to change the West Somerset Council "Director" to the South West Audit Partnership (SWAP) to reflect the responsibilities of the new Joint Management Team (JMT).

The Assistant Director – Corporate Services reported that SWAP Limited had come into being in April 2013. The governance structure for the new company required each Authority to provide a Member representative to the Members Board and an Officer Director to the Company Board.

To date, representation at officer level to the Company Board, had been undertaken by the Principal Accountant. Clearly with the new JMT in place the Council needed to amend the directorship to reflect the new roles and responsibilities.

RESOLVED that Full Council be recommended to approve the nomination of:-

- i) The Assistant Director – Resources as the Council's Director on the Board of SWAP; and
- ii) The Assistant Director – Corporate Services as the Alternate Director.

A8 Debt Analysis – As at 31 March 2014

(Report No. WSC 91/14, circulated with the Agenda.)

The purpose of the report was to provide the Committee with an update on the level of debts outstanding to the Authority as at 31 March 2014.

The Principal Accountant introduced the report which detailed the different streams of debt owed as follows:-

- Corporate Debts - £410,207. The old debt figures (over 1 year) remained on a par when compared to the previous year and the recovery of these debts, which included County Court action, continued to work well.
- Housing Benefit Debts - £497,264. This income stream had shown the greatest year on year improvement. The in-year collection rate had risen to 47.07% (target 43% - 2012/13 collection rate 43.70%).
- Council Tax Debts - £1,237,461. Levels of overall debt had increased with balances subject to court action at year end increasing from

£786,000 to £812,000. This was reflected in the collection rate decreasing from 97.53% in 2012/2013 to 96.90% in 2013/2014.

- Business Rates Debts - £375,386. Levels of overall debt had dropped slightly. However, balances subject to court action at year end remained constant at around £120,000. This was reflected in the collection rate increasing from 97.90% in 2012/2013 to 98.40% in 2013/2014.

The Committee noted with concern that the report proposed that debt analysis and monitoring information should be reported through Scrutiny and Cabinet in the future rather than through the Audit Committee. After a short discussion, Members were of the view that this would not be acceptable and requested that debt analysis continued to come before the Committee.

RESOLVED that:-

- The information contained within the report be noted; and
- Debt analysis and monitoring information be continued to be reported to the Audit Committee which would make recommendations, as appropriate, to other Committees.

A9 Internal Audit Annual Report and Opinion

(Report No. WSC 92/14, Circulated with the Agenda.)

The purpose of the report was to provide a review of the Internal Audit activity for the period April 2013 to March 2014 and an opinion to support the Annual Governance Statement.

The Audit Manager, SWAP, reported that of the eight reviews that had had an Assurance Opinion, two had been given 'Partial Assurance', two had returned a favourable opinion of 'Reasonable Assurance' and four with 'Substantial Assurance', something that had been commended by SWAP.

Overall, SWAP had been able to offer 'reasonable assurance' in respect of the areas reviewed during the year as the majority were found to be adequately controlled.

RESOLVED that the Internal Audit Annual Report and Opinion be noted.

A10 Review of Effectiveness of Internal Audit

(Report No. WSC 93/14, Circulated with the Agenda.)

The purpose of the report was to inform Members of the recent review of the delivery of Internal Audit through the South West Audit Partnership (SWAP) during 2013/2014.

The report was introduced by the Audit Manager who explained that the review which had been carried out by the Director – Operations had found that the SWAP team had performed well during the year. A table showing the overall

performance of the service compared to previous years was submitted for the information of Members.

The report also set out the minimum standards of service which would be applied in the future and details of actions to be completed in 2014/2015.

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

- SWAP was a limited company – but who owned the company?
- The figures in the last column of the table submitted were queried; specifically why, with the number of actions agreed by Managers being significantly lower, this was not reflected in the cost?
- Which audits had been deferred? In response, the two deferred audits were Asset Management and Partnerships.
- What was the 'Audit Universe'?

RESOLVED that the findings of the review be noted.

A11 External Audit (Grant Thornton) Update Report.

(Report No. WSC 94/14, circulated with the Agenda.)

The purpose of the report was to provide Members with an update regarding the work of the external auditors, Grant Thornton, together with information relating to emerging national issues which might be relevant to the Council.

With regard to the latter, the issues highlighted were the 2013/2014 Code for valuing property and assets and changes to the Local Government Pension Scheme were highlighted.

During the discussion, various points were made about the Pension Scheme and it was agreed that further information from the Pension Service could be provided to Members at a later date.

RESOLVED that the report be noted.

A12 External Audit Fees 2014/2015

(Report No. WSC 95/14, circulated with the Agenda.)

The purpose of the report was to provide Members with details of the fees Grant Thornton was proposing to charge for the external audit service it would provide to the Council during the current financial year.

The indicative audit fee was £67,750. This amount was split between the fee for the main audit of £55,800 (which remained unchanged from last year) and the grant certification work of £11,950.

RESOLVED that the report be noted.

A13 **Significant Changes to the Accounting Requirements for the 2013/2014 Accounts**

(Report No. WSC 96/14, circulated with the Agenda.)

The purpose of the report was to update the Committee on the significant changes which would be applicable to the Statement of Accounts 2013/2014 and the associated disclosures and restatements which had resulted.

The report was presented by the Principal Accountant who highlighted two significant changes to the Code of Practice on Local Authority Accounting which had been made, one of which had resulted in a 'prior-period adjustment'. The changes related to:-

- a) Accounting for Pension Interest Costs in Relation to Current Service Cost and Pension Administration Costs; and
- b) Interest Costs in relation to Current Service Cost.

Full details of these changes were submitted including an Appendix to the report which detailed the Prior Year Adjustments. It was acknowledged that an alteration to one of the figures in the section titled Changes to the Comprehensive Income and Expenditure Statement was required.

RESOLVED that the changes set out in the report be noted which would be reflected in the accounts for 2013/2014.

A14 **Annual Governance Statement 2013/2014**

(Report No. WSC 89/14, circulated with the Agenda.)

A draft of the Annual Governance Statement was presented to Members by the Efficiencies and Performance Manager prior to its signature by the Leader of the Council and the Chief Executive.

RESOLVED that the content of the draft Annual Governance Statement be approved.

A15 **Annual Treasury Management Review 2013/2014**

(Report No. WSC 97/14, circulated with the Agenda.)

The purpose of the report was to review the treasury management activity and the performance against the Prudential Indicators for the 2013/2014 financial year, as required by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice and in accordance with the Council's Treasury Management Strategy and Annual Investment Policy.

The Principal Accountant presented the report together with the Annual Treasury Outturn Report 2013/2014 which had been prepared by the Council's Financial Advisors, Arlingclose.

Noted that a number of figures contained in section 3, 'The Borrowing Requirement and Debt Management' and in Appendix B required amendment as reported at the meeting.

RESOLVED that the Treasury Management activity for the 2013/2014 financial year be noted.

The meeting closed at 4.05 pm.

AUDIT COMMITTEE ACTION PLAN

Date/Minute Number	Action Required	Action Taken
<p>1 July 2014</p> <p>A7 - South West Audit Partnership Governance Arrangements</p>	<p><u>RESOLVED</u> that Full Council be recommended to approve the nomination of:-</p> <p>i) The Assistant Director – Resources as the Council’s Director on the Board of SWAP; and</p> <p>ii) The Assistant Director – Corporate Services as the Alternate Director.</p>	<p>At the Council meeting on 23 July 2014, it was <u>RESOLVED</u> that the following nominations be approved:</p> <p>(i) the Assistant Director – Resources as the Council’s Director on the Board of SWAP; and</p> <p>(ii) the Assistant Director – Corporate Services as the Alternate Director.</p>

WEST SOMERSET COUNCIL**AUDIT COMMITTEE****FORWARD LIST OF AGENDA ITEMS 2014**

MEETING	DRAFT AGENDA ITEMS	LEAD OFFICER
02/12/14	Annual Audit Letter	Peter Barber (Grant Thornton)
	External Audit Fee Letter	Peter Barber (Grant Thornton)
	Quarterly Review of Internal Audit Activity	Alastair Woodland (SWAP)
	Risk Management Update	Kim Batchelor
	6-Month Review of Treasury Management Activity	James Howells
	Debt Analysis Report – As At 30 September 2014	Steve Plenty
	Forward Plan	Steve Plenty

Report Number: WSC 129/14
Presented by: Alastair Woodland, Audit Manager
Author of the Report: Alastair Woodland, Audit Manager
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Report to a Meeting of: Audit Committee
To be Held on: 22 September 2014
Date Entered on Executive Forward Plan N/A
Or Agreement for Urgency Granted:

INTERNAL AUDIT PLAN 2014-15 PROGRESS UPDATE

1. PURPOSE OF REPORT

- 1.1 To update members on the Internal Audit Plan 2014-15 progress and bring to their attention any significant findings identified through our work.

2. CONTRIBUTION TO CORPORATE PRIORITIES

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

3. RECOMMENDATIONS

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

4. RISK ASSESSMENT (IF APPLICABLE)

- 4.1 Any organisation needs to have a well-established and systematic risk management framework in place to identify and mitigate the risks it may face. WSC has a risk management framework, and within that, individual internal audit reports deal with the specific risk issues that arise from the findings. These are translated into mitigating actions and timetables for management to implement. The most significant findings are reported to this committee in terms of significant corporate risks or in terms of high priority findings at an individual service level.

5. BACKGROUND INFORMATION

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

- Details of any new significant weaknesses identified during internal audit work completed since the last report to the committee in June.

- A schedule of audits completed during the period, detailing their respective assurance opinion rating, the number of recommendations and the respective priority rankings of these (Appendix A).

6. FINANCIAL/RESOURCE IMPLICATIONS

6.1 There are no specific finance issues relating to this report.

7. COMMENTS ON BEHALF OF SECTION 151 OFFICER

7.1 I am satisfied that steady progress is being made in the delivery of the audit plan for 2014/15 and regular meetings are held with SWAP to monitor progress.

8. EQUALITY & DIVERSITY IMPLICATIONS

8.1 There are no direct implications from this report.

9. CRIME AND DISORDER IMPLICATIONS

9.1 There are no direct implications from this report.

10. CONSULTATION IMPLICATIONS

10.1 There are no direct implications from this report.

11. ASSET MANAGEMENT IMPLICATIONS

11.1 There are no direct implications from this report.

12. ENVIRONMENTAL IMPACT IMPLICATIONS

12.1 There are no direct implications from this report.

13. HEALTH & WELLBEING

13.1 There are no direct implications from this report.

14. LEGAL IMPLICATIONS

14.1 There are no specific legal issues relating to this report.

APPENDIX A WSC 2014/15 Plan Progress

Audit Type	Audit Area	Quarter	Status	Opinion	SWAP Feedback	No. of recs	Recommendations				
							1 = Minor ← → 5 = Major				
							1	2	3	4	5
WORK IN PROGRESS											
Governance, Fraud & Corruption	Safeguarding	Qtr 1	Review/Drafting								
Governance, Fraud & Corruption	Data Transparency	Qtr 2	Review/Drafting								
Governance, Fraud & Corruption	Absence Management - theme	Qtr 2	In Progress								
ICT	Protective Marking	Qtr 2	In Progress								
Key control	Main Accounting	Qtr 2	In Progress								
NOT STARTED											
Governance, Fraud & Corruption	Fraud / ethics	Qtr 1	Deferred to quarter 3								
Key control	Creditors	Qtr 3	Not started								
Key control	Debtors	Qtr 3	Not started								
Key control	Payroll	Qtr 3	Not started								
Follow up	Social Media	Qtr 3	Not started								
ICT	TBC	Qtr 3	Not started								
Key control	Council Tax and NDR	Qtr 3	Not started								
Key control	Housing Benefits	Qtr 3	Not started								
Governance, Fraud & Corruption	Private Water supply - theme	Qtr 2	Deferred to quarter 4								
Governance, Fraud & Corruption	Asset Management (Days b/f from 2013/14)	Qtr 4	Not started								
Follow up	Public safety follow up	Qtr 4	Not started								
Operational	Safer Somerset Partnership	Qtr 4	Not started								
Operational	Choice Based Lettings - theme	Qtr 4	Not started								

Governance, Fraud & Corruption	Partnership risk / shared management	All	Not started								
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West Somerset Council

Report of Internal Audit Activity
Quarter 2, 2014/15

Internal Audit ■ Risk ■ Special Investigations ■ Consultancy

Contents

The contacts at SWAP in connection with this report are:

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Our audit activity is split between:

- **Operational Audit**
- **Key Control Audit**
- **Governance, Fraud & Corruption**

Role of Internal Audit

The Internal Audit service for West Somerset Council is provided by South West Audit Partnership (SWAP). SWAP is a local authority controlled company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter approved by the Audit Committee and last reviewed at its meeting on 19th July 2013. Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work includes;

- Plan of Operational Reviews (including IS reviews)
- Annual Review of Key Financial System Controls (Key Control Audits)
- Cross cutting governance audits
- Annual review of key governance and fraud controls

Overview of Internal Audit Activity

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Section 151 Officer, following consultation with the Corporate Management Team and External Auditors. This year's Audit Plan was reported to this Committee at its meeting in March 2014.

Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.

2014/15 Quarter 2 Update:

**Completed audit assignments
April – September 2014****Audit Plan Progress**

The schedule provided at [Appendix A](#) contains a list of all audits as agreed in the Annual Audit Plan 2014/15. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Each completed assignment includes its respective “control assurance” opinion together with the number and relative ranking of recommendations that have been raised with management. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as shown in [Appendix B](#).

The following audits have progressed;

Governance, Fraud and Corruption:

- Drafting – 2 Reviews
- In progress - 1 Review

ICT:

- In progress – 1 Review.

Key Control:

- In progress – 1 Review

We keep our audit plans under regular review, so as to ensure we are auditing the right things at the right time.

Future Planned Work

The audit plan for 2014/15 is detailed in [Appendix A](#). Members will note that there were necessary changes to the plan where two audits have been deferred to accommodate operational needs of the service area in question. The two deferred are the Fraud Theme and Private Water Supplies.

Conclusion

For the audits completed to report stage each report contains an action plan with a number of recommendations which are given priority scores. Definitions of these priorities are contained in [Appendix B](#). The plan is on track to be complete by the end of the financial year.

Steady progress has been made on the 2014-15 Audit plan. Additional resource will be diverted back to WSC to pick up the two deferred audits later in the year. Of the work undertaken to date, including audits at review stage, we have not identified any significant corporate risks.

Audit Framework Definitions

Control Assurance Definitions

Substantial	▲☆☆☆	I am able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.
Reasonable	▲☆☆	I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	▲★☆☆	I am able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
None	▲★★★	I am not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Non Opinion		It is not always appropriate to offer an opinion as a result of audit work conducted. This could be for example where we are reviewing an area of new or changing legislation, following up previous findings, or undertaking a special investigation as a result of concerns identified.

Categorisation Of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors; however, the definitions imply the importance.

Priority 5: Findings that are fundamental to the integrity of the unit's business processes and require the immediate attention of management.

Priority 4: Important findings that need to be resolved by management.

Priority 3: The accuracy of records is at risk and requires attention.

Priority 2: Minor control issues have been identified which nevertheless need to be addressed.

Priority 1: Administrative errors identified that should be corrected. Simple, no-cost measures would serve to enhance an existing control.

Definitions of Risk

Risk	Reporting Implications
Low	Issues of a minor nature or best practice where some improvement can be made.
Medium	Issues which should be addressed by management in their areas of responsibility.
High	Issues that we consider need to be brought to the attention of senior management.
Very High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

Report Number: WSC 133/14
Presented by: Steve Plenty, Finance Manager
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Report to a Meeting of: Audit Committee
To be Held on: 22nd September 2014
Date Entered on Executive Forward Plan N/A
Or Agreement for Urgency Granted:

DEBT ANALYSIS – AS AT 30 JUNE 2014

1. PURPOSE OF REPORT

- 1.1 To provide the Audit Committee with an update on the level of debts outstanding to the Authority as at 30th June 2014.

2. CONTRIBUTION TO CORPORATE PRIORITIES

- 2.1 The Council's debt position links to the Local Democracy priority of achieving financial sustainability.

3. RECOMMENDATIONS

- 3.1 That Audit Committee note the information contained within the report.
- 3.2 The Audit Committee support the recommendation that debt analysis and monitoring information is reported to Scrutiny and Cabinet in future.

4. RISK ASSESSMENT

Risk Matrix

Description	Likelihood	Impact	Overall
That the Council does not put in place appropriate arrangements to recover monies that are owed to the Authority.	3	4	12
<i>Continued collection of debt following the procedures and arrangements the Authority has in place.</i>	2	3	6
That from 1 st April 2013 there is a detrimental financial impact on the Council due to unpaid Business Rates.	4	4	16
<i>Continued collection of debt following the procedures and arrangements the Authority has in place.</i>	2	3	6

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.

- 4.1 As the table shows, the arrangements in place in respect of income collection has a positive impact on mitigating the identified risks.

5. **BACKGROUND INFORMATION**

- 5.1 Analysis of the Authority's current level of debt used to form part of the Corporate Performance Report presented to Members on a quarterly basis. During discussions it was suggested by the then current Section 151 Officer that scrutiny of these debts would be better undertaken by the Audit Committee separately. Therefore set out below are details of the different streams of debt owed to the Authority as at 30 June 2014, comparing this to what was outstanding as at 30 June 2013 (the previous year).

Corporate Debts

Age of debt	Amount Outstanding As At 30 June 2014 (£)	Amount Outstanding As At 30 June 2013 (£)
Less than 3 months	160,476	101,490
3 to 6 months	21,546	11,984
6 months to 1 year	14,722	13,823
Over 1 year	129,990	141,516
Total	326,734	268,813

- 5.2 The above figures reflect an increase of 37% on the newest debts (less than three months), however, a single large invoice could distort these figures so more attention should be directed towards the three other reported aged debts.
- 5.3 The older debts show either slight monetary increases or decreases compared to the previous year. The chasing of these old debts via both the teams who issue the invoices and the recovery team continues to work well. In extreme cases when payment is not made a County Court Judgement is obtained. This further course of action is at the discretion of the senior recovery officer after liaison with the service area and/or the legal department, unless the debt relates to Housing whereupon anything over £450 is pursued and anything below this level is written off.

Housing Benefit Debts

	Amount Outstanding As At 30 Jun 2014 (£)	Amount Outstanding As At 30 Jun 2013 (£)
Debts being recovered from ongoing entitlement to housing benefit	210,626	178,191
Debts being recovered from former claimants	324,393	308,190
Total outstanding	535,019	486,381

- 5.3.1 Even in the current economic climate this income stream has shown continued improvement, although for once last year's record breaking end of year collection rate of 47.07% is very unlikely to be matched or beaten. Currently the in-year collection rate has dropped from 18.61% from 21.06%, however, overall the in-year collection rate of 43% remains on target and should be achieved. It should also be noted that previous years

collection figures have topped the charts when compared to the eleven members of the South West Overpayments Liaison Group.

- 5.4 Unfortunately overpayment creation continues to rise from £141,000 to £151,000 in the first quarter of this financial year. However, in the quarter, this time last year, the automatic recovery from claimants Housing Benefit peaked at £97,000. This amount has since dropped back down to £60,000 in this quarter, although fortunately the monetary affect has been alleviated somewhat due to the manual officer collection (through invoices, reminders and further recovery action) rising dramatically from £31,000 to £60,000. Officer resource has continually been directed at this income stream because the Council benefits greatly financially. It should be noted that we receive additional income through benefit subsidy on most overpayments, therefore, it is possible therefore to receive more money than the original overpayment if you aggregate the collected amount along with the amount received in government subsidy. Full recovery action is taken on these unpaid debts to include County Court action in appropriate cases. However, the number of costly and time consuming County Court cases is now dropping because the new 2013 Social Security Regulations now allow us to directly contact a person's employer for an attachment to their earnings.

Council Tax Debts

Year from 1 April	Amount Outstanding As At 30 Jun 2014 (£)	Amount Outstanding As At 30 Jun 2013 (£)
Pre 2007	139,268	154,438
2008	49,360	62,741
2009	40,953	58,485
2010	77,700	103,271
2011	109,681	163,379
2012	177,378	386,504
2013	538,349	N/A
Total	1,132,689	928,818

- 5.5 The overall level of debts have increased and this is reflected in the with balances subject to court action during comparable quarters increasing from £774,000 to £818,000. This is reflected in the collection rate slightly decreasing from 30.40% in 2013/14 to 30.36% in 2014/15. It is now appropriate to compare collection rates with previous years with all the changes coming in on 1 April 2013. As a reminder detailed below are some of the factors that have increased the risk of both delays and the possibility of non-collection:

- 15% Council Tax now payable by 1,433 working age claimants (many of whom paid nothing prior to 1 April 2013)
- A full Council Tax charge for owners of empty properties after 1 month (they were previously entitled to a 6 months empty exemption)
- 150% premium for long term empty properties (an increase of 50%)

- 5.6 The small Recovery team only has a finite amount of resource and workloads in recent times have increased, with a peak of just under 1,500 cases beyond Liability Order stage with a current balance of £818,000. This figure can be broken down into ten specific recovery areas with the previous year's quarter given as a comparison: Enforcement Agent/Bailiff £494,000 (£406,000), No Trace £134,000 (£151,000), Arrangement £91,000 (£85,000), possible Committal £12,000 (£47,000), Write-Off £26,000 (£20,000), On Hold £30,000 (£30,000), Bankruptcy £4,000 (£16,000), Attachment of Earnings £9,000 (£12,000), Attachment of Benefits £7,000 (£7,000) and Small Balances £10,000 (Not applicable –new code).

The possible committal level has dipped due to a trial being given to another Enforcement Agent this level will increase when these cases are returned to the Council.

Five areas of concerns have been highlighted by the recovery team for review in an effort to enhance ongoing collection rates:

- The new small balance cases - currently 60 cases with a value of £10,000
- The large number and monetary value of gone way/no trace cases - currently 238 cases with a value of £134,000
- The monitoring of on hold cases - currently 37 cases with a value of £30,000
- The monitoring of arrangement cases – currently 290 cases with a value of £91,000
- The completing of Enforcement Agent return work – currently over 200 cases outstanding

With the added resource from the staff merger with Taunton Deane it is hoped that the projects to make additional contact with the small balance cases, the monthly monitoring of hold cases, arrangements, enforcement agent returns along with the labour intensive work around the tracing of debts will all show a marked improvement come the next quarters report.

- 5.7 Benchmarking continues to be carried out and all bar one of the five Somerset Authorities reflect a common theme in that they are experiencing a dip in their collection rates.

Business Rates Debts

Year from 1 April	Amount Outstanding As At 31 Jun 2014 (£)	Amount Outstanding As At 31 Jun 2013 (£)
Pre 2007	3,397	10,736
2008	4,630	7,159
2009	1,760	6,607
2010	15,552	25,956
2011	41,783	72,611
2012	104,577	230,583
2013	175,986	N/A
Total	347,685	353,652

- 5.8 The overall levels of overall debts have dropped slightly; however, balances subject to further court action (beyond Liability Order stage) have increased from £94,000 to £135,000. This is somewhat reflected in the collection rate decreasing from 32.14% in 2013/14 to 30.36% in 2014/15. However the large dip in year collection rate can be explained away because four of West Somerset's largest payers have now taken up the option of paying over twelve months (instead of ten), a regulation that came in on Business Rates on 1 April 2014.

- 5.9 The oldest debts pre 2007 have dropped dramatically. Due to retention (the possible financial losses to the Council mentioned below) and the fact that there are only 40 business rate recovery cases, when compared to the large number of Council Tax accounts, these cases are monitored to a much greater degree. The £135,000 can be broken down in five specific recovery areas with the previous year quarter given as a comparison: Enforcement Agent/Bailiff £75,000 (£61,000), Arrangement £20,000 (£22,000), possible Committal £24,000 (£7,000), Write-Off £3,000 (Zero) and On Hold

£13,000 (£1,000). No cases are currently on a bankruptcy recovery code in the current financial year compared to last year when 3k was on this recovery code.

6. FINANCIAL/RESOURCE IMPLICATIONS

- 6.1 Clearly the collection of income and debts due to the authority is important as the Net Budget for provision of services includes assumptions and targets for income. Where costs are not covered by general grant funding or council tax, the customer pays additional fees and charges as set by the Council. This income is therefore necessary for the provision of services. Failure to collect debts could eventually lead to losses which would be a cost to the General Fund, and therefore adversely affect reserve balances.
- 6.2 As the billing authority for council tax and business rates, we also collect taxation income that is due to be paid over to Central Government, the County Council, Police and Fire authorities. Failure to collect these monies will affect this Council's funding, but also that of these other organisations.
- 6.3 The risk of non-collection is assessed each year as part of the financial year end arrangements, with some provision made for potential losses, however the Council's takes all possible action to avoid non-collection. Debt write-off is very much a last resort.

7. COMMENTS ON BEHALF OF SECTION 151 OFFICER

- 7.1 Levels of debt can adversely affect the Council's cash flow as well as the underlying funding position as described above. As such all debt is actively managed to keep outstanding amounts to a minimum.
- 7.2 The risk in respect of cash flow and non-collection is greater than previous years following the introduction of business rates retention, as the payments of Standard Shares in business rates to Government, County and Fire authorities is based on budget estimates. As from 1st April 2013 the Council also has to bear 40% of the costs of any debts written off in respect of Business Rates.

8. EQUALITY & DIVERSITY IMPLICATIONS

Members need to demonstrate that they have consciously thought about the three aims of the Public Sector Equality Duty as part of the decision making process.

The three aims the authority **must** have due regard for:

- Eliminate discrimination, harassment, victimisation
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it

- 8.1 None in respect of this report.

9. CRIME AND DISORDER IMPLICATIONS

- 9.1 None in respect of this report.

10. CONSULTATION IMPLICATIONS

- 10.1 None in respect of this report.

11. ASSET MANAGEMENT IMPLICATIONS

11.1 None in respect of this report.

12. ENVIRONMENTAL IMPACT IMPLICATIONS

12.1 None in respect of this report.

13. LEGAL IMPLICATIONS

13.1 None in respect of this report.

Report Number: WSC 135/14
Presented by: Steve Plenty, Finance Manager
Author of the Report: Steve Plenty
Contact Details:
 Tel. No. Direct Line 01984 635217
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Report to a Meeting of: Audit Committee
To be Held on: 22nd September 2014
Date Entered on Executive Forward Plan N/A
Or Agreement for Urgency Granted:

AUDITED STATEMENT OF ACCOUNTS 2013/14

1. PURPOSE OF REPORT

1.1 The Audit Committee is asked to review and approve the audited Statement of Accounts prior to its signature by the Chair of the Committee and the Section 151 Officer.

2. CONTRIBUTION TO CORPORATE PRIORITIES

2.1 None – the Council has a statutory duty to prepare and approve its annual accounts.

3. RECOMMENDATIONS

3.1 The Audit Committee notes the Auditor's unqualified opinion on the Statement of Accounts.

3.2 The Audit Committee approves the Statement of Accounts 2013/14.

3.3 The Chair of the Committee and the Section 151 Officer are requested to sign the Statement of Accounts.

4. RISK ASSESSMENT (IF APPLICABLE)

Risk Matrix

Description	Likelihood	Impact	Overall
Audit Committee do not approve the audited statement of accounts, thus contravening regulation 8 to part 3 of the Accounts and Audit Regulations 2011	Possible (3)	Major (4)	Medium (12)
<i>Audit Committee approves the Accounts</i>	Rare (1)	Negligible (1)	Low (1)

- 4.1 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.

5. BACKGROUND INFORMATION

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

6. FINANCIAL/RESOURCE IMPLICATIONS

Statement of Accounts

- 6.1 The Statement of Accounts for 2013/14 has been prepared on an IFRS (International Financial Reporting Standards) basis in line with the CIPFA (Chartered Institute of Public Finance Accounting) Code of Practice on Local Authority Accounting in the UK 2013/14.
- 6.2 In 2013/14 there were a small number of changes for our accounting requirements, the details of which were reported to this committee on 1 July 2014 – notably affecting accounting for pension costs and business rates provisions for appeals and refunds. Comparative financial details related to 2012/13 have been applied to the Statement of Accounts as set out in that previous report.
- 6.3 There are no material errors related to previous years, or other material changes to accounting requirements, therefore no further changes to comparative financial details related to 2012/13 have been made.
- 6.4 The Statement of Accounts contain four main statements reflecting the position of the Council at 31 March 2014:
- Movement in Reserves Statement
 - Comprehensive Income and Expenditure Statement
 - Balance Sheet
 - Cash Flow Statement

- 6.5 There is also a supplementary statement related to the Collection Fund (which deals with the collection and distribution of Council Tax and Business Rates).

Movement in Reserves Statement

- 6.6 This account shows the changes in the Council's financial resources over the year by showing the movement on the reserves held. The reserves are analysed into usable (these can be used to fund spending) and unusable reserves (reserves that cannot be spent as they contain technical accounting adjustments that do not represent available funding).
- 6.7 The total of the Council's Usable Reserves (capital and revenue combined) has decreased by £0.309m in the year. The largest movements are seen in the General Fund earmarked reserves (increase of £0.276m), capital grants unapplied (decrease of £0.077m) and the capital receipts reserve (decrease of £0.509m).
- 6.8 The Statement shows that the General Reserve (Unearmarked) balance is above the minimum level required in the Council's financial strategy, with General Reserves standing at £0.992m.

Comprehensive Income and Expenditure Statement

- 6.9 The Comprehensive Income and Expenditure Statement (CIES) shows the day to day revenue spending and income on the Council's services. It also shows the council tax and government grants received to help pay for those services. The Comprehensive Income and Expenditure Statement shows the net cost on an "accounting basis" which includes accounting adjustments such as depreciation, impairment and revaluation losses, and other types of accounting adjustments. These adjustments are then reversed out in the Movement in Reserves Statement to show the "funding" position of the Council.
- 6.10 The net Cost of Services has decreased by £0.455m compared to the previous year's accounts.
- 6.11 The Financial Outturn position for 2013/14 was reported to Scrutiny and Cabinet meetings in July and August respectively. This report included information relating to the Council's financial performance for the 2013/14 financial year, and highlighted key variances to the budget with explanations for these.

Balance Sheet

- 6.12 The Balance Sheet provides a snapshot of the Council's financial position as at 31 March 2014 (with comparatives for 31 March 2013).
- 6.13 The Balance Sheet shows that net assets have increased by £1.557m in 2013/14, to a balance of £0.173m as at March 2014. This is mainly due to an increase in cash and cash equivalents through short-term deposits with building societies.

Cash Flow Statement

- 6.14 The Cash Flow Statement summarises the flows of cash and cash equivalents into and out of the Council during the year.

- 6.15 Cash and cash equivalents are represented by the following: cash in hand; deposits with financial institutions repayable without penalty on notice of not more than 24 hours; and investments that mature in one month or less from the date of the balance sheet and are readily convertible into cash.
- 6.16 During the year the Council's cash and cash equivalents increased by approximately £1.222m. The main reason for the increase is the increased balance of funds held with building societies as at the 31st March 2014.

Collection Fund

- 6.17 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 – including this council – and central government. The major precepting authorities are Somerset County Council, Avon and Somerset Police & Crime Commissioner, Devon and Somerset Fire and Rescue Authority and Central Government. The Council has a statutory obligation to maintain a separate Collection Fund Account.
- 6.18 The presentation of the statement has been updated this year to reflect the introduction of Business Rates Retention, with the Council Tax and Business Rates movements and balances clearly separated. The statement shows that the Council has collected £31.9m on behalf of the precepting authorities and Central Government. This comprises council tax income of £19.5m and business rates income of £12.4m. The Council Tax receipts have reduced mainly due to the abolition of Council Tax Benefit – in 2012/13 income was reported gross including £3.1m funded through Benefit Subsidy.
- 6.19 The statement currently shows a small surplus of £0.535m (WSC share = £0.072m) in respect of Council Tax and a surplus of £0.083m (WSC share = £0.033m) in respect of business rates. The small business rates surplus includes the creation of a provision of £1.850m in respect of appeals and refunds, which is required with the inception of the Retention system.

7. COMMENTS ON BEHALF OF SECTION 151 OFFICER

- 7.1 The Council's overall financial position remains similar to the previous year, with reserve balances above the recommended minimum. I am satisfied that the accounts represent a true and fair view of the Council's financial affairs.
- 7.2 I would like to thank the council's very small finance team for their hard work in producing the 2013/14 Statement of Accounts. The document is inevitably very 'dry' for most users but I am confident that it meets the requirements of International Financial Reporting Standards and contains no material errors. This is borne out by the results of our audit undertaken by the Grant Thornton.

8. EQUALITY & DIVERSITY IMPLICATIONS

Members need to demonstrate that they have consciously thought about the three aims of the Public Sector Equality Duty as part of the decision making process.

The three aims the authority **must** have due regard for:

- Eliminate discrimination, harassment, victimisation
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it

8.1 None in respect of this report.

9. CRIME AND DISORDER IMPLICATIONS

9.1 None in respect of this report.

10. CONSULTATION IMPLICATIONS

10.1 None in respect of this report.

11. ASSET MANAGEMENT IMPLICATIONS

11.1 None in respect of this report.

12. ENVIRONMENTAL IMPACT IMPLICATIONS

12.1 None in respect of this report.

13. LEGAL IMPLICATIONS

13.1 The Accounts and Audit (England) Regulations 2011 came into force on 31 March 2011. This means that they apply to the preparation, approval and audit of statements of accounts prepared in respect of the year ending 31 March 2011 and later years.

13.2 Regulation 8 of Statutory Instrument 2011 No 817 refers to the 'signing, approval and publication of statement of accounts'. In particular, to quote directly from the legislation in relation to the actions that Audit Committee need to take: -

8.—(1) A larger relevant body must ensure that the statement of accounts required by paragraphs (1) or (6) of regulation 7, as the case may be, is prepared in accordance with these Regulations.

- West Somerset Council is a 'larger relevant body'

(2) Before the approval referred to in paragraph (3) is given, the responsible financial officer of a larger relevant body must, no later than 30th June immediately following the end of a year, sign and date the statement of accounts, and certify that it presents a true and fair view of the financial position of the body at the end of the year to which it relates and of that body's income and expenditure for that year.

- The Accounts were signed by the then responsible financial officer (the Section 151 Officer) and certified in accordance with this regulation.

(3) Subject to paragraph (4), a larger relevant body must, no later than 30th September in the year immediately following the end of the year to which the statement relates—

(a) consider either by way of a committee or by the members meeting as a whole the statement of accounts;

- This meeting of the Audit Committee must consider the Statement of Accounts (that have now been audited by the council's external auditors which are Grant Thornton).

(b) following that consideration, approve the statement of accounts by a resolution of that committee or meeting;

- This meeting of the Audit Committee must approve the statement of accounts

(c) following approval, ensure that the statement of accounts is signed and dated by the person presiding at the committee or meeting at which that approval was given; and

- The Chair of the Audit Committee must sign and date the accounts at this meeting

(d) publish (which must include publication on the body's website), the statement of accounts together with any certificate, opinion, or report issued, given or made by the auditor under section 9 (general report) of the 1998 Act.

- The opinion of the Council's auditors must be published with the audited statements and the relevant signatures and dates identified above

(4) The responsible financial officer must re-certify the presentation of the statement of accounts before the relevant body approves it.

- The Council's responsible financial officer (as defined in the Regulations as the person identified under section 151 of the local government act 1972), must re-certify the statement of accounts that are presented to the Audit Committee at this meeting.

(5) A larger relevant body must keep copies of the documents mentioned in paragraph (3)(d) for purchase by any person on payment of a reasonable sum.



West Somerset Council Statement of Accounts 2013/14

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Introduction to West Somerset

Bordering the Bristol Channel, West Somerset benefits from some of the most scenic landscape in England. Two thirds of Exmoor National Park lies within its boundary, as do the Quantock Hills; an Area of Outstanding Natural Beauty. Large amounts of both areas are designated sites of special scientific interest due of their value to wildlife.

Whilst West Somerset covers a large area (740 square kilometres), just 35,000 people share it with the wildlife, making West Somerset one of the most sparsely populated districts in England (0.5 people per hectare compared with England & Wales average of 4). Half of those people live along the narrow coastal strip in the settlements of Minehead, Watchet and Williton. The remainder live in small villages and hamlets dispersed throughout the district and the town of Dulverton situated in the Exmoor National Park.

The economy of West Somerset is heavily dependent upon tourism and during the peak season, the population of the district swells considerably with the influx of many hundreds of thousands of visitors.

According to the 2011 census 29% of the population of West Somerset is over 65, against an England and Wales average of 16.5%.

This diverse profile of service users gives West Somerset Council an almost unique customer base. As it develops services over time, the council continuously needs to take account of this special blend of residents and visitors.

The Council employs 82.1 full-time equivalent staff, of whom 8.4 are dedicated to work relating to Hinkley Point. They work together with 28 Councillors to deliver a wide range of services to people in West Somerset. West Somerset Council currently collaborates with a variety of organisations to ensure services are delivered as efficiently as possible. The number of partnerships and contracted services in operation mean the council is an example of a 'commissioning' organisation that relies on a central core of officers to coordinate and monitor services. Services delivered in this way include: -

- Waste collection and recycling
- Street Cleansing
- Public convenience cleaning
- Housing benefit processing
- Legal services
- Tourist information
- Harbour and marina operations
- Strategic Housing services
- Internal Audit
- Private Sector Housing
- Human Resources

A Summary of The Council's Financial Performance 2013/14

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

The Financial Statements

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

- The **Movement in Reserves Statement** (page 13) shows the changes in the Council's financial resources over the year, by showing the movement on the different reserves held, analysed into 'usable reserves' (that can be used to fund spending) or other reserves.

- The **Comprehensive Income and Expenditure Statement** (page 14) 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 15) 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 16) summarises the flows of cash into and out of the council during the year.
- The **Notes to the Financial Statements** (pages 17-54) provide supplementary information on some of the figures contained within the primary statements. They also include accounting policies, which guide the treatment of income and expenditure, and disclosures relating to the assets and liabilities of the Council.

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

Financial Overview

General Fund Revenue Budget and Reserves

The Council's Final Net Budget for 2013/14 is £5.306m representing the net cost of General Fund services funded by grants, council tax and retained business rates funding, as shown in the following table.

In setting the budget for 2013/14 the Council agreed to a Council Tax increase of 3.7%. This meant the annual Band D Council Tax charge for services provided by the Council is set at £137.82m.

The Council's net expenditure is **£5.253m**, producing an underspend on cost of services of £0.053m. There were also surplus government grants received during the year of £0.048m, providing a net underspend of £101k (1.9%).

	£000
Revenue Support Grant	1,579
Business Rates Retention	1,241
New Homes Bonus Grant	384
Other General Government Grants	330
Previous Years Collection Fund	-
Surplus	
Council Tax	1,772
Net Expenditure Budget	5,306

The net underspend arose due to variances against several budget areas. The most significant underspends have been reported against Revenues & Benefits, Open Spaces, Finance, Information Technology and Development Control. These together with other smaller underspends have enabled to the Council to offset budget overspends/shortfalls in arriving at the net position. The most significant budget pressure in the year relates to Temporary Accommodation and Community Safety. The following table provides a summary of the financial results for the year compared to budget.

General Fund Outturn 2013/14	Budget £000	Actual £000	Variance	
			£000	%
Net Expenditure on Services	5,057	4,997	(60)	(1.2)
Other Operating Costs and Income	50	57	7	1.4
Net Transfer to Earmarked Reserves	276	276	0	0.0
Net Transfer from General Reserves	(102)	(102)	0	0.0
Capital Financing and Debt Repayment	25	25	0	0.0
Net Budget before Funding	5,306	5,253	(53)	(1.0)
Funding	(5,306)	(5,354)	(48)	(0.9)
Net Variance	0	(101)	(101)	(1.9)

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

The General Fund Reserves have increased from £0.991m at the start of the year to £0.992m as at 31 March 2014, a net increase of £0.001m in the year. Later in this foreword I explain the financial challenges and risks faced by the Council. Having reserves at this level provides some resilience as the Council takes the necessary steps to continue to maintain a robust and sustainable financial position.

The Council also carries Earmarked Reserve balances, which represent funds that have been set aside to support specific spending in future years. The General Fund Earmarked Reserves balance as at 31

March 2014 stands at £1.376m. This balance covers a wide variety of planned spending requirements, including: council tax reform and hardship, Working Neighbourhoods Fund, New Homes Bonus reserves, Joint Management and Shared Services restructuring and transformation costs, homeless prevention, and a wide variety of other projects and sustainability initiatives.

Capital Spending and Reserves

In addition to our spending on day-to-day service provision, the Council spends money on assets such as buildings, public conveniences, asset disposal costs, IT equipment and systems, and provision of capital grants to others such as disabled facilities and decent homes grants. Capital expenditure in the year totalled £1.101m (£0.825m in 2012/13).

Summary Capital Spending	£000	Funded by	£000
<i>Housing acquisition</i>	194	Capital receipts	615
<i>Disabled facilities grants</i>	233	Government grants and other contributions	486
<i>Housing standards (decent homes)</i>	34		
<i>Coastline and harbours</i>	34		
<i>S106 community schemes</i>	274		
<i>IT systems and hardware</i>	170		
<i>CCTV equipment</i>	19		
<i>Asset disposal costs</i>	75		
<i>Various other schemes</i>	68		
	1,101		1,101

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

Capital reserves reflect funds set aside to fund investment in capital items in future years, and largely comprise grants, contributions and capital receipts. The Council currently holds £0.925m of capital reserves, providing funding for the 2014/15 Capital Programme. Within the capital strategy and asset management plan is the planned sale of surplus council assets, notably land at Seaward Way in Minehead and the old Aquasplash site. These receipts will be primarily used to repay borrowing, both externally and internally. Additional capital receipts will be used to fund ongoing capital expenditure.

Pensions

In accordance with financial reporting standards, West Somerset Council has to disclose its long-term liability to pay retirement benefits to its current and former employees. This liability will eventually be discharged through increased contributions, as calculated by the Pension Scheme's Actuary. Statutory arrangements for funding this shortfall means that the Council's own financial position is not weakened by the disclosure.

The Council's share of the overall Pension Fund deficit decreased from £18.767m at 31 March 2013 to £17.136m at 31 March 2014. The deficit has decreased by 8.7%, which is largely due to an increase in actuarial gains on pension assets.

In recent years, the level of reported pension deficit has changed significantly from year to year, reflecting the sensitivity to changes in actuarial assumptions and market conditions. Despite the changes in valuation, this is a real liability that has resulted from pension entitlement earned by employees. The liability appears in the Council's Balance Sheet but any immediate impact on levels of Council Tax is neutralised by a matching Pensions Reserve.

Treasury Management and Capital Resources

At 31 March 2014, the Council did not hold any long term investments, but had a balance of £2.153m (£1.217m at 31 March 2013) in 'cash and cash equivalents' – cash and the bank current account plus short term deposits. The return on short term investments and deposits included in the revenue accounts amounted to £0.016m (£0.021m in 2012/13). This level of return reflects low investment interest rates and modest cash balances invested during the year.

Total borrowing amounted to £3.500m at 31 March 2014 (£3.500m at 31 March 2013) which is owed to the Police & Crime Commissioner for West Yorkshire. This loan is repayable in August 2014, and the Council may need to re-finance depending on the timing and value of capital receipts generated from planned asset disposals. The cost of borrowing and management of debt charged to the revenue

accounts during 2013/14 was £0.073m (£0.053m in 2012/13). The cost of borrowing is relatively low currently due to low interest rates.

Although proactive treasury management continues to ensure that the Council minimises its interest payable on external borrowings, and invests any temporary cash surpluses to generate investment income, the net impact of this continues the trend from the previous financial year and remains low given the current historically low level of interest rates. Like all Councils we are facing increased treasury management risks, mainly within to the Eurozone, and finding a safe place to invest any surplus cash is becoming harder. The investment strategy is to spread this risk wider with the preservation of cash at the heart of any investment decision.

The Council's Capital Financing Requirement (CFR), which is effectively our underlying need to borrow for capital purposes, is summarised in the table below. As the table shows, it has only been necessary to externalise debt for part of the CFR amount, as we have been able to use internal cash balances without the need to take out loans from financial institutions.

	Total £000
Capital Financing Requirement 1 April 2013	7,658
Provision for debt repayment during the year	(25)
New expenditure funded through borrowing	0
Capital Financing Requirement 31 March 2014	7,633
Externalised capital borrowing ("External Borrowing")	3,500
Expenditure financed by internal cash resources ("Internal Borrowing")	4,133
Total Borrowing Requirement	7,633

Any material and unusual charge or credit in the accounts

2013/14 is the first year of the new Business Rates Retention funding system. As part of this system the council is required to make a provision for appeals and refunds to business rate payers from the Collection Fund. West Somerset's share of this provision in 2013/14 totals £0.740m relating to refunds for 2013/14 and backdated to earlier years. This equates to a 40% share. The total provision shown within the Collection Fund Statement is £1.850m.

Significant provisions or contingencies and material write-offs

There have been no significant contingencies or material write-offs during 2012/13. There is a material provision in respect of business rates appeals refunds – see previous paragraph.

Any material events after the reporting date

There have been no material events to report after the reporting date.

Important Developments and Looking To The Future

Joint Management and Shared Services with Taunton Deane Borough Council

West Somerset Council, like most local authorities, is facing significant financial challenges. Cuts to funding from Government and the wider recession have placed the Council in a difficult position. One of the strategies for achieving a sustainable future for West Somerset was to explore opportunities for Joint Management and Shared Services between councils. In March 2013, this Council committed itself to a project to explore opportunities for TDBC and West Somerset to work together, and the Councils prepared a Strategic Business Case to explore whether joint working would help both Councils achieve:

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

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

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

In addition, it is hoped that the joint working arrangements could progress some other ambitions for the Councils such as retaining local employment and promoting high quality customer access (retaining face-to-face presence in both localities). The business case will deliver savings for both Councils, with expected annual savings of £0.300m by 2015/16 for this Council, which will be built into our budget.

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

NB. We have jointly received a Transformation Grant of £0.750m from Government (£0.600m to TDBC and £0.150m to WSDC), to help fund our transformation agenda.

Budget Challenges

For 2014/15 the Council has approved a budget of £5.251m, and has implemented a Council Tax Freeze retaining the basic Council Tax Band D Tax at £137.88. The Net Budget for the year is summarised as follows:

	£000
Cost of Services	5,116
Financing costs	228
Earmarked reserve transfers	228
General reserve transfers	(321)
Net expenditure	5,251
Revenue support grant	1,225
Retained business rates funding	1,526
New homes bonus	444
Other general grant funding	233
Previous Year's Collection Fund Surplus	0
Council Tax	1,823
Net Funding	5,251

With the ongoing pressure on the wider economy, the Government has been clear on the continued need for cuts in public sector spending. Formula grant has again been cut in 2014/15 by some £0.357m (15.5%). New Homes Bonus has increased by £0.060m (15.6%) related to housing growth in the district. This mitigates the reduction in general funding but does not eliminate it. Provisional funding for 2015/16 indicates a further reduction of £0.328m (9.7%) in our funding baseline next year.

The Medium Term Financial Plan demonstrates the scale of the projected financial challenge, with an estimated cumulative Budget Gap of £1.198m to be addressed by 2018/19.

New Homes Bonus Grant has become a significant element of the Council's funding streams. The amount of Grant we receive is based on growth in housing, with extra funding related to growth in affordable housing. The Grant in 2014/15 is £0.444m (2013/14 £0.384m), and this is projected to potentially rise to between £0.600m and £0.800m per year by 2017.

Business Rates Retention

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

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

	£000
Net Business Rates Yield	(10,387)
Amount paid to Central Government (Standard Share of 50% plus tariff plus levy)	8,348
Amount paid to County Council and Fire Authority	1,039
Retained Business Rates by West Somerset Council	(1,000)
Section 31 Grant – Funding for Reliefs	(249)
Net Retained Business Rate Funding	(1,249)

Localised Support for Council Tax (Council Tax Rebate Scheme)

At the Spending Review 2010 the Government announced that it would localise support for Council Tax from April 2013, reducing expenditure by 10%. The Welfare Reform Act 2012 contains provisions for the abolition of Council Tax Benefit, and subsequently the Local Government Finance Bill (introduced to Parliament 19 December 2011) imposed a duty on billing authorities to make a localised Council Tax Reduction Scheme (CTRS) by 31 January 2013. Working in collaboration with the County Council and other Somerset district Councils, WSC approved a new local Council Tax Support Policy for 2013/14, which resulted in a range of Council Tax discounts being available instead of the previous Benefit regime. Previously the Government provided a subsidy to fully reimburse the Council for the cost of benefits paid out, but from April 2013 the Government included a fixed grant amount within the Finance Settlement. This amount, which was £0.258m for 2013/14, formed part of the funding allocation received via Revenue Support Grant and the Retained Business Rates Baseline (see above).

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

Further Information

Further information about these accounts is available from: Corporate Finance, West Somerset Council, West Somerset House, Killick Way, Williton, Somerset, TA4 4QA. Email: customerservices@westsomersetonline.gov.uk

The rights of interested persons to view the accounts are statutorily defined and the dates on which the accounts are available for inspection are advertised in the local press and on the Council’s website.

Shirlene Adam, FCCA
Director of Operations & Deputy CEO (Section 151 Officer)

The Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority 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 West Somerset 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 Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Director of 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 were up-to-date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Declaration by the Section 151 Officer

I certify that this Statement of Accounts gives a true and fair view of the financial position of West Somerset Council at 31 March 2014 and of its expenditure and income for the year ended 31 March 2014.

Shirlene Adam, FCCA
Director of Operations
Section 151 Officer

Date: 22nd September 2014

47 Movement In Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'.

The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority'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 for council tax setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	Notes	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2012		934	1,278	1,511	266	3,989	(4,617)	(628)
<u>Movement in Reserves during 2012/13</u>								
Surplus (or Deficit) on the provision of services		(1,723)				(1,723)		(1,723)
Other Comprehensive Income and Expenditure		0				0	621	621
Total Comprehensive Income and Expenditure		(1,723)	0	0	0	(1,723)	621	(1,102)
Adjustments between accounting basis and funding basis under regulations	8	1,602		(216)	(50)	1,336	(1,336)	0
Net Increase/Decrease before Transfers to Earmarked Reserves		(121)	0	(216)	(50)	(387)	(715)	(1,102)
Transfers to/(from) Earmarked Reserves	9	178	(178)			0		0
Increase / (Decrease) in 2012/13		57	(178)	(216)	(50)	(387)	(715)	(1,102)
Balance at 31 March 2013 Carried forward		991	1,100	1,295	216	3,602	(5,331)	(1,729)
<u>Movement in Reserves during 2013/14</u>								
Surplus (or Deficit) on the provision of services		(1,130)				(1,130)		(1,130)
Other Comprehensive Income and Expenditure		0				0	2,686	2,686
Total Comprehensive Income and Expenditure		(1,130)	0	0	0	(1,130)	2,686	1,556
Adjustments between accounting basis and funding basis under regulations	8	1,407		(509)	(77)	821	(821)	0
Net Increase/Decrease before Transfers to Earmarked Reserves		277	0	(509)	(77)	(309)	1,865	1,556
Transfers to/(from) Earmarked Reserves	9	(276)	276					
Increase / (Decrease) in 2013/14		1	276	(509)	(77)	(309)	1,865	1,556
Balance at 31 March 2014 Carried forward		992	1,376	786	139	3,293	(3,466)	(173)

48 Comprehensive Income and Expenditure Statement

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

2012/13 (Restated)			2013/14			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
3,745	(3,371)	374	Central Services to the Public	607	(298)	309
876	(130)	746	Cultural & Related Services	730	(85)	645
2,453	(270)	2,183	Environmental & Regulatory Services	2,457	(225)	2,232
400	(499)	(99)	Highways and Transport Services	303	(493)	(190)
14,768	(14,093)	675	Other Housing Services	15,536	(14,781)	755
2,616	(1,050)	1,566	Planning Services	2,134	(973)	1,161
1,114	(13)	1,101	Corporate and Democratic Core	1,190	(173)	1,017
0	0	0	Non Distributed Costs	162	0	162
25,972	(19,426)	6,546	Costs of Services	23,119	(17,028)	6,091
867	0	867	Other Operating Expenditure	10	858	858
823	(613)	210	Financing and Investment Income and Expenditure	11	850	(191)
	(5,900)	(5,900)	Taxation and Non-Specific Grant Income	12		(6,478)
		1,723	(Surplus) or Deficit on Provision of Services			1,130
		(1,550)	(Surplus) or deficit on revaluation of fixed assets	25		(130)
		929	Actuarial (gains)/losses on pension assets/liabilities	27		(2,556)
		(621)	Other Comprehensive Income and Expenditure			(2,686)
		1,102	Total Comprehensive Income and Expenditure			(1,556)

Balance Sheet

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The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority.

Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).

The second category of reserves, are those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses e.g. the Revaluation Reserve, and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2013 £000		Notes	31 March 2014 £000
14,979	Property, Plant & Equipment	13	14,362
3,349	Investment Properties	14	3,075
0	Intangible assets	15	51
16	Long-term Debtors	18	5
18,344	Long Term Assets		17,493
2,842	Assets Held for Sale	17	3,787
1,217	Short Term Debtors	19	2,368
931	Cash and Cash Equivalents	20	2,153
4,990	Current Assets		8,308
(6,081)	Short Term Creditors	21	(7,828)
(3)	Provisions	22	(743)
(6,084)	Current Liabilities		(8,571)
(18,767)	Other Long Term Liabilities	23	(17,136)
(213)	Capital Grants Receipts in Advance	23	(267)
(18,980)	Long Term Liabilities		(17,403)
(1,730)	Net Assets		(173)
(3,602)	Usable Reserves		(3,293)
5,331	Unusable reserves	24	3,466
1,729	Total Reserves		173

I confirm that this Statement of Accounts was approved by the Audit Committee at its meeting on 22nd September 2014.

Signed:

Date: 22nd September 2014

Cllr Susan Goss
Chair of Audit Committee

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority.

Investing activities represent the extent to which cash outflows have been made for resources, which are intended to contribute to the Authority's future service delivery.

Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

2012/13 (Restated) £000		Notes	2013/14 £000
(1,723)	Net surplus or (deficit) on the provision of services		(1,130)
1,171	Adjustments to net surplus or deficit on the provision of services for non cash movements	30	2,827
	Adjustments for items included in the net surplus on the provision of services that are		
(88)	investing and financing activities	31	(106)
(640)	Net cash flows from Operating Activities		1,591
(289)	Investing Activities	33	(369)
0	Financing Activities		0
(929)	Net increase or decrease in cash and cash equivalents		1,222
1,860	Cash and cash equivalents at the beginning of the reporting period	20	931
931	Cash and cash equivalents at the end of the reporting period	20	2,153

1 Accounting Policies

General Principles

The Statement of Accounts summarises the Authority's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

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 Authority 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 Authority.
- Revenue from the provision of services is recognised when the Authority 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 Authority.
- 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 is written down and a charge made for the income that might not be collected.

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 highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. West Somerset Council will include deposits in Business Reserve Accounts in Cash Equivalents.

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 Authority's cash management.

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 a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) 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.

Charges to Revenue for Non-Current Assets 52

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

depreciation attributable to the assets used by the relevant service

depreciation and impairment losses on assets used by the service where there are no accumulated gains in the valuation Reserve against which the losses can be written off

amortisation of intangible fixed assets attributable to the service.

The Authority 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 Authority in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority.

An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

Employees of the Authority are members of the Somerset County Local Government Pension Scheme administered by Peninsula Pensions. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees working for the Authority.

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

- The liabilities of the pension fund attributable to West Somerset are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 4.5% (based on the annualised yield at the 19 years point on the Merrill Lynch AA rated Corporate Bond curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the employers liabilities).
- The assets of the pension fund attributable to West Somerset are included in the Balance Sheet at their fair value and include quoted securities and unquoted securities at current bid price, unquoted securities at professional estimate and property at market value.

The change in the net pension liability is analysed into the following components:

Service cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Account to the services for which the employees worked
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services line in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Net interest on the net defined benefit liability – i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurements comprising:

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

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

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

Discretionary Benefits

The Authority 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.

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: 54

- 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.

Financial Instruments

Financial Liabilities

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

For most of the borrowings that the Authority 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.

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 Authority 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 Authority 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 Authority 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 in the loan agreement.

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 Authority when there is reasonable assurance that:

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance 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.

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 £0.010m) the Capital Receipts Reserve.

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 and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £0.010m) the Capital Receipts Reserve.

Leases

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

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

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

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation, revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease.

The Authority as Lessor

Finance Leases

Where the Authority 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 Authority'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 charge for the acquisition of the interest in the property – 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 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 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 in the Movement in Reserves Statement.

Operating Leases

Where the Authority 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.

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice **2013/14** (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation.
- Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early 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.

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 Authority 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. There are two exceptions to this:

- The expenditure incurred is below £0.002m. In such cases expenditure is charged direct to the revenue accounts.
- The asset is acquired through an operating lease when rental payments are charged to the revenue account.

Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use (such as 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).

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

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

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

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. A revaluation of Land and Buildings, Investment Properties, Surplus Assets not held for sale and Surplus Assets held for sale by a qualified valuer took place as at 31 March 2014. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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 the 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.

Capital expenditure incurred in enhancing assets or increasing their useful life is classed as enhancing expenditure.

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 assets with a determinable finite life (except for investment properties), by allocating the value of the assets in the balance sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the life of the property as estimated by the Valuer. The useful economic lives of the assets held as operational buildings, as determined by the District Valuer, range between 1 and 60 years.
- Vehicles, plant and equipment – straight-line allocation, based on the type of asset class in the balance sheet, (vehicles 5-15 years, plant 10 years and equipment 5 years)
- Infrastructure – straight-line allocation over 25 years.

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

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

Assets that are sold during the year are treated as if sold on 1 April and therefore do not attract a depreciation charge for the year. Assets acquired during the year attract a full years' charge.

Disposals and Non-Current Assets Held for Sale

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

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

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

When 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 a disposal in excess of £0.010m are categorised as capital receipts and credited to the Capital Receipts Reserve which can then only be used for new capital investment [or set aside to

reduce the Authority'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. If the proceeds are £0.010m or less, they are not treated as capital receipts but are instead credited to revenue.

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

Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority 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 Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority 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 recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority 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 Authority. 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 Authority 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 Authority.

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.

Reserves

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

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

Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority 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.

VAT

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

Related Party Transactions

The Authority 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.

The materiality of the transaction has been considered before justifying inclusion in the statements. Transactions disclosed elsewhere in the statement of accounts are not cross referenced in the note. Disclosure is only required where the Council has gone beyond providing financial assistance to having a relationship with the assisted organisation that allows it to exert control over the organisation's financial and operational policies

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.

Accounting for Council Tax

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

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

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

The year-end surplus or deficit on the Collection Fund is distributed between the Council and major precepting authorities on the basis of estimates made on 15 January of the year-end balance. The

Council's share is credited (surplus) or debited (deficit) on the same line as the demand on the fund, and is taken into account in arriving at the difference that is adjusted to the Collection Fund Adjustment Account.

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 we must include on the Balance Sheet the following:

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

2. Prior-period adjustments

The accounting standard IAS 19 – Employee Benefits has changed.

Treatment of Pension Administration Costs

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

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

Interest Costs in relation to Current Service Cost

In 2012/13 we included in Note 11 Financing and Investment Income and Expenditure, a line for "Pension interest cost and expected return on pensions assets". The new requirements have "split" these values and the line now contains the "net interest cost" only. The expected return on pensions assets is now shown within "Actuarial (gains)/losses on pension assets/liabilities. For this reason we have restated those lines in the notes and the "Comprehensive Income and Expenditure Statement".

This change also impacts on the Cash Flow Statement and Note 30 as well as Note 27, the Pensions Reserve, as the distinction between the categories has changed.

Changes to the Comprehensive Income & Expenditure Statement

	2012/13 Statements £000	Adjustments Made £000
Central Services to the Public	3,743	2
Financing & Investment income and expenditure	(9)	219
(Surplus) or Deficit on Provision of Services	1,502	221
Actuarial (gains)/losses on pension assets/liabilities	1,150	(221)

Changes to the Movements in Reserves Statement

Movement in Reserves Statement – Usable Reserves

	2012/13 Statements £000	Adjustments Made £000
Surplus or deficit on provision of services	(1,502)	(221)
Adjustments between accounting basis and funding basis under regulations	1,115	221

Movement in Reserves Statement – Unusable Reserve

	2012/13 Statements £000	Adjustments Made £000
Other comprehensive Income and Expenditure	400	221
Adjustments between accounting basis and funding basis under regulations	(1,115)	(221)

Changes to the Cash Flow Statement

	2012/13 Statements £000	Adjustments Made £000
Net Surplus or (deficit) on the provision of services	(1,502)	(221)
Adjustment for items included in the net surplus or deficit on the provision of services for non-cash movements (Note 28)	950	221

Changes to Note 29 – Cash Flow – Adjustments to Net Surplus on the Provision of Service for Non-Cash Movement

	2012/13 Statements £000	Adjustments Made £000
Pension payable for year	(506)	221

Changes to Note 27 – Pensions Reserve

	2012/13 Statements £000	Adjustments Made £000
Employer's pension contributions and direct payments to pensioners in the year	506	(221)

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

The Authority has yet to adopt the following accounting standards:

IFRS 10 Consolidated Financial Statements (May 2011)

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

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

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

IFRS 11 Joint Arrangements (May 2011)

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

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

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

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

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

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

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

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

IFRS13 Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Critical Judgments in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

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

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

Item	Uncertainties	Effect If Actual Results Differ From Assumptions
Pensions Liability	Estimation of the net liability to pay pension depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and the expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	As at 31 March 2014 the Pension Liability for West Somerset amounted to £17.136m. An increase over the forthcoming year of 10% in either the total number of claims or estimated average settlement would each have the effect of adding £1.714m to the provision needed.
Arrears	As at 31 March 2014, the Authority had a balance of corporate debtors of £0.419m. A review of balances suggested that an impairment allowance of £0.132m was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £0.132m to be set aside as an allowance.
Business Rates Appeals Provision	Estimates has been made for the provision for refunding ratepayers who have successfully appealed against the rateable value of their properties. This includes the current and previous financial years. The estimate is based on those ratepayers who have appealed.	There is uncertainty and risk surrounding the calculation of the provision as future events may affect the amount required to settle an obligation.

6 Material Items of Income and Expense

Included within the Comprehensive Income and Expenditure Statement there are items of income and expenditure that are considered to be material to the Authority in carrying out its duties and these are as follows:

Housing Benefit Payments and Subsidy

The Council incurs a significant proportion of its spend on benefit payments, which is funded predominantly by Government grant. Housing Benefit and subsidy payments are included within Other Housing Services on the face of the Comprehensive Income and Expenditure Statement and payments amounted to £13.927m in 2013/14 compared with £13.265 in 2012/13. Housing Benefit subsidy amounted to (£13.788m) in 2013/14 compared with (£13.172m) in 2012/13.

7 Events after the Balance Sheet Date

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

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

2013/14

General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Movement in Unusable Reserves £000
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Adjustments involving the Capital Adjustment Account:Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:

Charges for depreciation and impairment of non current assets	520		(520)
Movements in the market value of Investment Properties	(89)		89
Amortisation of intangible assets	12		(12)
Capital grants and contributions applied	(404)		404
Revenue expenditure funded from capital under statute	604		(604)
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	81		(81)

Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:

Statutory provision for the financing of capital investment	(25)		25
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Adjustments primarily involving the Capital Grants Unapplied Account

Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(5)	5	0
Application of grants received in previous years		(82)	82

Adjustment involving the Capital Receipts Reserve:

Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(106)	106	0
Use of the Capital Receipts Reserve to finance new capital expenditure		(615)	615

Adjustment involving the Pensions Reserve:

Actuarial past service gain adjustment	1,450		(1,450)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(525)		525

Adjustments involving the Collection Fund Adjustment Account:

Amount by which council tax & Non-domestic rate income credited to the Comprehensive Income and Expenditure Statements is different from council tax income calculated for the year in accordance with statutory requirements	(92)		92
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Adjustment involving the Accumulating Compensated Absences Adjustment Account:

Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(14)		14
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Total Adjustments

1,407	(509)	(77)	(821)
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2012/13

Comparative Figures (Restated)**Adjustments involving the Capital Adjustment Account:***Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:*

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Movement in Unusable Reserves £000
Charges for depreciation and impairment of non current assets	1,155		(1,155)
Movements in the market value of Investment Properties	(509)		509
Capital grants and contributions applied	(424)		424
Revenue expenditure funded from capital under statute	539		(539)
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	111		(111)

Adjustments primarily involving the Capital Grants Unapplied Account

Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(47)		47
Application of grants received this year			
Application of grants received in previous years			(97) 97

Adjustment involving the Capital Receipts Reserve:

Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(88)	88	
Use of the Capital Receipts Reserve to finance new capital expenditure		(304)	304

Adjustment involving the Pensions Reserve: (Restated)

Actuarial past service gain adjustment	1,129		(1,129)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(285)		285
Employer's pension contributions and direct payments to pensioners payable in the year.			

Adjustments involving the Collection Fund Adjustment Account:

Amount by which council tax income credited to the Comprehensive Income and Expenditure Statements is different from council tax income calculated for the year in accordance with statutory requirements	14		(14)
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Adjustment involving the Accumulating Compensated Absences Adjustment Account:

Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	7		(7)
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Total Adjustments

1,602	(216)	(50)	(1,336)
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9 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2013/14.

	Balance at 31/03/12	Transfers Out	Transfers In	Balance at 31/03/13	Transfers Out	Transfers In	Balance at 31/03/14
General Fund - Revenue Earmarked Reserves	£000	£000	£000	£000	£000	£000	£000
Areas Based Grant	219	(59)		160	(46)		114
Other Earmarked Reserves	260	(118)	135	277	(178)	240	339
Planning Performance Agreement Reserve	412	(412)		0			0
Seaside Towns Reserve	199	(103)		96	(80)	4	20
New Homes Bonus Reserve	73	(98)	219	194	(80)		114
DCO Reserve	71	(23)		48	(48)		0
Sustainability Reserve	44		281	325	(404)	137	58
Joint Management Project Transition	0			0		375	375
Joint Management Project	0			0		20	20
Business Rate Smoothing	0			0		270	270
Homelessness Prevention	0			0		66	66
Total	1,278	(813)	635	1,100	(836)	1,112	1,376

Area Based Grant - relates to a general grant allocated by Central Government a few years ago, directly to local authorities as additional revenue funding. Local authorities are free to use it as they see fit – it is not ring fenced – to support the delivery of, regional and national priorities in their areas. This includes local area agreement (LAA) targets.

Sustainability Reserve – relates to a reserve set up to finance invest to save initiatives required to reduce the Council's net revenue expenditure and increase financial sustainability.

Seaside Towns Reserve – relates to a grant allocated by Central Government to ensure coastal areas

are best placed to take advantage of their natural resources and assets, historic infrastructure, and high quality of life, as well emerging green industries - to develop strong and successful local economies. This involves creating new jobs, and improving local housing.

Joint Management Project and Transition – relates to the joint management project with Taunton Deane Borough Council to share services to help fill the budget gap of both councils

Business Rate Smoothing – relates to business rate retention to even out the variation in non-domestic rate receivable by the council each year.

Other Earmarked Reserves – relates to various monies set aside by the authority including Land Charges Reserve, Election Reserve, Economic Development Projects and Tourism Reserve.

10 Other Operating Expenditure

2012/13 £000		2013/14 £000
840	Parish Council precepts	880
3	Levies	3
24	(Gains)/Losses on the disposal of non current assets	(25)
867	Total	858

11 Financing and Investment Income and Expenditure

2012/13 £000	Adjustments	2012/13 (Restated) £000	2013/14 £000	
53		53	Interest payable and similar charges	72
551	219	770	Net interest on the defined liability (asset)	776
(21)		(21)	Interest receivable and similar income	(16)
(509)		(509)	Income and Expenditure in relation to investment properties and changes in fair value	(89)
(83)		(83)	Other investment income	(84)
(9)	219	210	Total	659

12 Taxation and Non Specific Grant Income

2012/13 £000		2013/14 £000
(2,824)	Council tax income	(2,617)
(2,242)	Non domestic rates	(1,283)
(363)	Non-ringfenced government grants	(2,443)
(471)	Capital grants and contributions	(408)
(5,900)	Total	(6,751)

13 Property, Plant and Equipment

Revaluations

The Council carries out a programme that ensures that all Property, Plant & Equipment is measured at fair value with the latest revaluation exercise being carried out as at 31 March 2014. All valuations were carried out externally by Mrs Hannah Plowman MRICS on behalf of the District Valuer at the Valuation Office Agency, Quantock House, Paul Street, Taunton, Somerset, TA1 3PB. Valuations of land and buildings were carried out in accordance with methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

	Land & Buildings £000	Vehicles Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Total £000	Investment Properties £000	Surplus Assets Not Held for Disposal £000	Surplus Assets Held for Disposal £000	Total £000	Grand Total £000
Valued at Historic Cost		149	3,019		3,168					3,168
Valued at Current Value In:										
2013/14	10,157				10,157	3,075	523	3,694	7,292	17,449
2012/13	6				6					6
2011/12			158		158					158
2010/11	79				79			93	93	172
2008/09			169	21	190					190
2005/06			17		17					17
2004/05				64	64					64
Total	10,242	149	3,363	85	13,839	3,075	523	3,787	7,385	21,224

Depreciation

69

Depreciation is calculated on the following bases:

- **Dwellings and other buildings** – straight-line allocation over the life of the property as estimated by the Valuer. The useful economic lives of the assets held as operational buildings, as determined by the District Valuer, range from between 1 and 60 years.
- **Vehicles, plant and equipment** – straight-line allocation, based on the type of asset class in the balance sheet, (vehicles 5-15 years, plant 10 years and equipment 5 years).
- **Infrastructure** – straight-line allocation over 25 years.

Contractual Commitments

There are currently no material contractual commitments in respect of capital expenditure.

Movement in 2013/14	Other Land & Buildings £000	Vehicles Plant & Equip £000	Infrastructure Assets £000	Community Assets Non-Operational £000	Operational Assets £000	Total £000
Cost or Valuation						
At 1 April 2013	9,965	3,564	6,881	88	1,298	21,796
Additions	25	87	35			147
Reclassifications	(216)	0				(216)
Revaluation increases/(decreases) recognised in the Revaluation reserve	552	0			(200)	352
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(54)	0				(54)
Derecognition - Disposals	0	(3)		(3)	(75)	(81)
Assets reclassified (to)/from Held for Sale	0	0			(500)	(500)
At 31 March 2014	10,272	3,648	6,916	85	523	21,444
Accumulated Depreciation and Impairment						
At 1 April 2013	(22)	(3,430)	(3,365)	0	0	(6,817)
Depreciation charge	(167)	(69)	(187)			(423)
Impairment losses/(reversals) recognised in the Revaluation Reserve	158	0				158
At 31 March 2014	(31)	(3,499)	(3,552)	0	0	(7,082)
Net Book Value						
As at 31 March 2014	10,241	149	3,364	85	523	14,362
As at 31 March 2013	9,943	134	3,516	88	1,298	14,979

Comparative Movement in 2012/13	Other Land & Buildings £000	Vehicles Plant & Equip £000	Infrastructure Assets £000	Community Assets Non-Operational £000	Operational Assets £000	Total £000
Cost or Valuation						
At 1 April 2012	10,333	3,541	6,773	86	1,170	21,903
Additions	19	32	110	3		164
Reclassifications	3	(1)	(2)			0
Revaluation increases/(decreases) recognised in the Revaluation reserve	20				199	219
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(405)				(11)	(416)
Derecognition - Disposals	(5)	(8)		(1)		(14)
Derecognition - Other					(60)	(60)
At 31 March 2013	9,965	3,564	6,881	88	1,298	21,796
Accumulated Depreciation and Impairment						
At 1 April 2012	(432)	(3,032)	(3,173)	0	0	(6,637)
Depreciation charge	(148)	(221)	(192)			(561)
Depreciation written out to the Surplus/Deficit on the Provision of Services	558					558
Impairment losses/(reversals) recognised in the Provision of Services		(178)				(178)
Derecognition - Disposals			1			1
At 31 March 2013	(22)	(3,430)	(3,365)	0	0	(6,817)
Net Book Value						
As at 31 March 2013	9,943	134	3,516	88	1,298	14,979
As at 31 March 2012	9,901	509	3,600	86	1,170	15,266

14 Investment Properties

70

An investment property is one that is used solely to earn rentals or for capital appreciation or both.

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

2012/13 £000		2013/14 £000
84	Rental income from investment property	84
84	Net gain/(loss)	84

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

The following table summarises the movement in the fair value of investment properties over the year:

Movement in fair value of investment properties		
2012/13 £000		2013/14 £000
2,780	Balance at start of the year	3,349
	<i>Additions:</i>	
0	- Purchases	20
	Disposals	0
509	Net gains/losses from fair value adjustments	89
	<i>Transfers:</i>	
60	- To/from Non-Operational Assets	217
0	- To/from Assets Held for Sale	(600)
3,349	Balance at end of the year	3,075

15 Intangible Assets

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

- Total (Finance System) has been assigned a useful economic life of 5 years.

Movement in fair value of investment properties		
2012/13 £000		2013/14 £000
2,780	Balance at start of the year	3,349
	<i>Additions:</i>	
0	- Purchases	20
	Disposals	0
509	Net gains/losses from fair value adjustments	89
	<i>Transfers:</i>	
60	- To/from Non-Operational Assets	217
0	- To/from Assets Held for Sale	(600)
3,349	Balance at end of the year	3,075

16 Financial Instruments

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

Categories of Financial Instruments	Long Term		Current	
	31 Mar 2013 £000	31 Mar 2014 £000	31 Mar 2013 £000	31 Mar 2014 £000
Investment				
Loans and receivables			931	2,153
Total investment	0	0	931	2,153
Debtor				
Loans and receivables			269	1,366
Total debtors	0	0	269	1,366
Borrowings				
Financial liabilities at amortised cost			3,524	3,502
Total borrowings	0	0	3,524	3,502
Creditors				
Financial liabilities at amortised cost			1,370	2,292
Total creditors	0	0	1,370	2,292

Financial Instruments Gains/Losses

71

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2013/14	Liabilities measured at amortised cost £000	Loans and Receivables £000	£000
Interest Expense	72		72
Interest payable and similar charges (note 10)	72		72
Interest Income		(16)	(16)
Interest receivable and similar (note 10)		(16)	(16)
Net gain/loss for the year	72	(16)	56

Fair value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost (in long term assets/liabilities with accrued interest in current assets/liabilities). Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- Valuations use the Net Present Value approach, which provides an estimate of the value of payments in the future in today's terms. In such cases the prevailing rate of a similar instrument with a published market rate has been used as a discount factor; For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade, other receivable or creditor, the fair value is taken to be the carrying amount or the billed amount;

The fair values calculated are as follows:

		31 March 2013		31 March 2014	
		Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and Receivables	Investments	931	931	2,153	2,153
	Debtors	269	269	1,366	1,366
		1,200	1,200	3,519	3,519
Financial Liabilities at amortised cost	Borrowings	3,506	3,524	3,502	3,502
	Creditors	1,370	1,370	2,292	2,292
		4,876	4,894	5,794	5,794

17 Assets Held for Sale

		Current	
		2012/13 £000	2013/14 £000
Balance outstanding at start of the year		2,046	2,842
<i>Asset newly classified as held for sale:</i>			
- Property, Plant and Equipment		122	767
- Investment Property			600
Revaluation losses			(380)
Revaluation gains		772	
Impairment losses			(42)
<i>Asset declassified as held for sale:</i>			
Asset sold		(98)	
Balance outstanding at end of the year		2,842	3,787

18 Long Term Debtor

31 March 2013 £000	31 March 2014 £000
16 Other entities and individuals	5
16 Total	5

19 Short Term Debtors

31 March 2013 £000	31 March 2014 £000
66 Central Government bodies	1,045
407 Other local authorities	215
1,161 Other entities and individuals	1,586
(417) Impairment allowance for doubtful debt	(478)
1,217 Total	2,368

20 Cash and Cash Equivalents 72

31 March 2013 £000		31 March 2014 £000
53	Cash held by the Authority	127
1,287	Bank current accounts	1,352
0	Short-term deposits with building society	1,500
(409)	Unpresented Cheques/BACS	(826)
931	Total	2,153

21 Short Term Creditors

31 March 2013 £000		31 March 2014 £000
(48)	Central Government bodies	(1,234)
(737)	Other local authorities	(606)
(5,296)	Other entities and individuals	(5,988)
(6,081)	Total	(7,828)

Included within the 'other entities and individuals' figure in the above table is the short term borrowing amounts outstanding as at 31 March. This amounted to £3.506m in 2012/13 and £3.502m in 2013/14.

22 Provisions

	NDR Appeals £000	Severance Costs £000	Total £000
Balance as at 1 April 2013	0	(3)	(3)
Additional provisions made in 2013/14	(740)	0	(740)
Balance as at 31 March 2014	(740)	(3)	(743)

The Local Government Finance Act 2012 introduced changes to the accounting arrangements for Business Rates. These changes require the Authority to put in a provision for appeals in respect of refunding ratepayers who have appealed the rateable value of their properties on the rating list. The Authority has included a best estimate of its share of expenditure required to settle the present obligation within the collection fund (see page 52).

23 Long Term Borrowing and Other Long Term Liabilities

31 March 2013 £000		31 March 2014 £000
(18,767)	Other Long Term Liabilities	(17,136)
(213)	Capital Grants Receipts in Advance	(267)
(18,980)	Total	(17,403)

24 Unusable Reserves

31 March 2013 £000		Notes	31 March 2014 £000
6,649	Revaluation reserve	25	6,710
6,862	Capital Adjustment Account	26	6,929
(18,767)	Pensions Reserve	27	(17,136)
13	Collection Fund Adjustment Account	28	105
(88)	Accumulating Compensated Absences Adjustment Account	29	(74)
(5,332)	Total Unusable Reserves		(3,466)

25 Revaluation Reserve

The Revaluation Reserve holds the unrealised revaluation gains, which have arisen, since 1 April 2007, from holding plant, property and equipment. Where assets, which had previously been revalued, are impaired as a result of reductions in property values, then the revaluation reserve is reduced to the extent of the value held for that specific asset.

2012/13 £000		2013/14 £000
5,149	Balance as at 1 April	6,649
2,040	Upward revaluation of assets	893
(490)	Services	(763)
1,550	Surplus or deficit on revaluation of non-current assets not posted to the Surplus on the Provision of Services	130
(47)	Difference between fair value depreciation and historical cost depreciation	(69)
(3)	Accumulated gains on assets sold or scrapped	0
(50)	Amount written off to the Capital Adjustment Account	(69)
6,649	Balance as at 31 March	6,710

26 Capital Adjustment Account 73

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 also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2012/13 £000	2013/14 £000
7,283 Balance as at 1 April	6,862
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
(1,155) Charges for Depreciation and impairment of non current assets	(520)
0 Amortisation of intangible assets	(12)
(539) Revenue expenditure funded from capital under statute	(604)
(111) 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	(81)
(1,805)	(1,217)
50 Adjusting amounts written out of the Revaluation Reserve	69
(1,755) Net written out amount of the cost of non current assets consumed in the year	(1,148)
Capital financing applied in the year:	
304 Use of the Capital Receipts Reserve to finance new capital expenditure	615
424 Capital grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing	404
97 Capital Grant Applied	82
0 Statutory provision for the financing of capital investment charged against the General Fund and HRA	25
0 Capital expenditure charged against the General Fund	0
825	1,126
509 Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Account	89
6,862 Balance as at 31 March	6,929

27 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.

2012/13 Restated £000	2013/14 £000
(16,994) Balance as at 1 April	(18,767)
(929) Remeasurements of the net defined benefit liability/(assets)	2,556
Reversal of items relating to retirement benefits debited or credited to the Surplus or	
(1,129) Deficit on the Provision of Services in the Comprehensive Income and Expenditure	(1,450)
285 Employer's pension contributions and direct payments to pensioners payable in the year	525
(18,767) Balance as at 31 March	(17,136)

28 Collection Fund Adjustment Account

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

2012/13 £000	2013/14 £000
27 Balance as at 1 April	13
Amount by which council tax & non-domestic rates income credited to the Comprehensive Income and expenditure Statement is different from council tax and non-domestic rates income calculated for the	
(14) year in accordance with statutory requirements	92
13 Balance as at 31 March	105

29 Accumulated Absences Account 74

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance be neutralised by transfer to or from the Account.

2012/13 £000		2013/14 £000
(82)	Balance as at 1st April	(88)
(6)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory	14
<u>(88)</u>	Balance as at 31st March	<u>(74)</u>

30 Cash Flow – Adjustments to Net Surplus on the Provision of Service for Non Cash Movement

2012/13 (Restated) £000		2013/14 £000
561	Depreciation	423
0	Amortisation	12
594	Impairment and downward valuations	97
(509)	Revaluation of Investment Properties	(89)
(607)	(Decrease)/Increase in creditors	1,725
198	(Increase)/Decrease in debtors	(1,140)
111	Carrying Value of Non Current Assets Disposed	81
1,129	Movement in Pension Liability	1,450
(285)	Pension Payable for year	(525)
(3)	(Decrease)/Increase in Provision	740
(19)	(Decrease)/Increase in Capital RIA	54
1	Other Movements	(1)
<u>1,171</u>		<u>2,827</u>

31 Cash Flow – Adjustment for items in the net surplus or deficit on the provision of services that are investing or financing activities

2012/13 £000		2013/14 £000
(88)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(106)
<u>(88)</u>		<u>(106)</u>

32 Cash Flow Statement – Operating Activities

The cash flow for operating activities includes the following items:

2012/13 £000		2013/14 £000
21	Interest Received	16
(53)	Interest Paid	(72)
<u>(32)</u>		<u>(56)</u>

33 Cash Flow Statement – Investing Activities

2012/13 £000		2013/14 £000
(377)	Purchase of Property, Plant & Equipment, Investment Property and intangible assets	(475)
88	Proceed from Disposal	106
<u>(289)</u>	Net cash flows from investing activities	<u>(369)</u>

34 Amounts Reported for Resource Allocation Decisions

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

- No charges are made 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
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- Expenditure on some support services is budgeted for centrally and not charged to services

The income and expenditure of the Authority's principle services recorded in the budget reports for the year is as follows:

	Housing and Economy	Corporate Director	Environment and Community	Total
Income and Expenditure 2013/14	£000	£000	£000	£000
Fees, charges and other service income	(873)	(255)	(1,644)	(2,772)
Interest and investment income		(16)	0	(16)
Government grants	(14,046)	(77)	0	(14,123)
Total Income	(14,919)	(348)	(1,644)	(16,911)
Employee expenses	1,000	1,271	1,220	3,491
Other service expenses	14,876	542	2,789	18,207
Interest payments		96	0	96
Total Expenditure	15,876	1,909	4,009	21,794
Net Expenditure	957	1,561	2,365	4,883

	Housing and Economy	Corporate Director	Environment and Community	Total
Income and Expenditure 2012/13	£000	£000	£000	£000
Fees, charges and other service income	(1,069)	(96)	(1,736)	(2,901)
Interest and investment income	0	(21)	0	(21)
Government grants	(16,813)	0	(3)	(16,816)
Total Income	(17,882)	(117)	(1,739)	(19,738)
Employee expenses	1,027	967	1,218	3,212
Other service expenses	17,305	697	2,853	20,855
Interest payments	0	53	0	53
Total Expenditure	18,332	1,717	4,071	24,120
Net Expenditure	450	1,600	2,332	4,382

Reconciliation of Service Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of services income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement

2012/13 £000		2013/14 £000
4,382	Net expenditure in the analysis	4,883
	Amounts in the Comprehensive Income and Expenditure Statement not reported to	
2,164	management in the analysis	1,481
6,546	Cost of Services in Comprehensive Income and Expenditure Statement	6,364

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of services 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.

	Analysis	Amounts not reported to management for decision making	Amount not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Cost of services
2013/14	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(2,772)	(214)	617	(2,917)	(5,286)	(408)	(5,694)
Interest and investment income	(16)		16		0	(16)	(16)
Income from council tax					0	(86)	(86)
Government grants	(14,123)				(14,123)	(6,343)	(20,466)
Total Income	(16,911)	(214)	633	(2,917)	(19,409)	(6,853)	(26,262)
Employee expenses	3,491	128			3,619	776	4,395
Other service expenses	18,207	501	(3)		18,705	3	18,708
Support Service recharges	0			2,917	2,917		2,917
Depreciation, amortisation and impairment	0	532			532	(89)	443
Interest Payments	96		(96)		0	73	73
Precepts & Levies	0				0	881	881
Gain or Loss on Disposal of Fixed Assets	0				0	(25)	(25)
Total Expenditure	21,794	1,161	(99)	2,917	25,773	1,619	27,392
Surplus or Deficit on the Provision of Services	4,883	947	534	0	6,364	(5,234)	1,130

	Analysis	Amounts not reported to management for decision making	Amount not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Cost of services
Comparative Figures	£000	£000	£000	£000	£000	£000	£000
2012/13	£000	£000	£000	£000	£000	£000	£000
Restated							
Fees, charges and other service income	(2,901)	(74)	450	(2,947)	(5,472)	(398)	(5,870)
Interest and investment income	(21)		21		0	(21)	(21)
Income from council tax					0	(2,909)	(2,909)
Government grants	(16,816)		50		(16,766)	(2,676)	(19,442)
Total Income	(19,738)	(74)	521	(2,947)	(22,238)	(6,004)	(28,242)
Employee expenses	3,212	80			3,292	770	4,062
Other service expenses	20,855	539	(4)		21,390		21,390
Support Service recharges				2,947	2,947		2,947
Depreciation, amortisation and impairment		1,155			1,155	(509)	646
Interest Payments	53		(53)		0	53	53
Precepts & Levies					0	843	843
Gain or Loss on Disposal of Fixed Assets					0	24	24
Total Expenditure	24,120	1,774	(57)	2,947	28,784	1,181	29,965
Surplus or Deficit on the Provision of Services	4,382	1,700	464	0	6,546	(4,823)	1,723

35 Members Allowances

2012/13	2013/14
£000	£000
77 Basic Allowance	77
64 Special Responsibility Allowance	64
13 Expenses	14
154 Allowances paid in the year	155

36 Officers Remuneration

Senior Officers emoluments – salary is between £50,000 and £150,000 per year 2013/14. The figures for 2012/13 are provided for comparison purposes.

Chief Executive	2013/14	62,381	152	69,878	132,411	8,093	140,504
	2012/13	62,381	340	0	62,721	8,093	70,814
Corporate Director	2013/14	44,696	289	0	44,985	5,794	50,779
	2012/13	59,594	302	0	59,896	7,725	67,621
Totals	2013/14	107,077	441	69,878	177,396	13,887	191,283
	2012/13	121,975	642	0	122,617	15,818	138,435

During 2013/14 West Somerset Council approved plans to share a joint management team with Taunton Deane Borough Council. The first stage of this process was to share a joint Chief Executive from the 24 October 2013 and then a joint management team from the 1 January 2014. Taunton Deane Borough Council became the “employer” and costs are charged on an agreed cost-sharing basis.

In the table above West Somerset Council’s Chief Executive left that position on the 23 October 2013 but continued to work for the authority until the 31 March 2014 when he then left through redundancy.

The remuneration for the Corporate Director in the table above is for the period up to the 31 December 2013, from the 1 January 2014 he was appointed as the Assistant Chief Executive and Monitoring Officer in the new joint management team.

Chief Executive	110,000	113,090	1,310	114,400	0	114,400
Director A	85,000	78,157	1,542	79,699	14,259	93,958
Director B	80,000	73,543	1,094	74,637	13,532	88,169
Director C	80,000	62,134	0	62,134	12,210	74,344
Assistant Chief Executive and Monitoring Officer	63,500	15,875	417	16,292	2,921	19,213
Assistant Director A	60,000	56,684	841	57,525	10,430	67,955
Assistant Director B	60,000	56,684	1,725	58,409	10,430	68,839
Assistant Director C	60,000	57,104	1,107	58,211	10,430	68,641
Assistant Director D	60,000	57,403	1,239	58,642	11,293	69,935
Assistant Director E	60,000	15,000	0	15,000	2,760	17,760
Assistant Director F	60,000	10,000	226	10,226	1,840	12,066

The above table represents the full cost of remuneration for the 2013/14 financial year of those officers appointed to the new Joint Management Team as part of the Shared Services Project between West Somerset Council and Taunton Deane Borough Council.

These costs are shared between the two authorities on a proportionate share basis and the costs applicable to West Somerset Council during 2013/14 are shown in the table below:

Chief Executive	24 October 2013	50	50	25,423
Director A	01 January 2014	20	80	5,032
Director B	01 January 2014	20	80	4,736
Director C	01 January 2014	10	90	2,368
Assistant Chief Executive and Monitoring Officer	01 January 2014	50	50	9,605
Assistant Director A,B,C,D & E	01 January 2014	20	80	18,091
Assistant Director F	01 February 2014	50	50	5,920

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 was:

Remuneration Band	2012/13		2013/14	
	Total	Number of employees Left During Year	Total	Number of employees Left During Year
£50,000 - £54,999			1	
£55,000 - £59,999	1			
£60,000 - £64,999	1			
£85,000 - £89,999			1	1
£130,000 - £134,999			1	1

The officers leaving the Council's employment in each of the years shown above received redundancy payments that increased their remuneration for the year.

The table below shows the exit packages that employees of West Somerset and Taunton Deane Borough Council received in compensation for redundancy.

Exit Package Cost Band (including special payments)	Number Of Compulsory		Number Of Other Departures Agreed		Total Number Of Exit Packages By Cost		Total Cost Of Exit Packages In Each	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
£0 - £20,000	0	3	0	0	0	3	£0	£25,530
£20,001 - £40,000	0	4	0	0	0	4	£0	£128,160
£40,001 - £60,000	0	0	0	0	0	0	£0	£0
£60,001 - £80,000	0	3	0	0	0	3	£0	£212,580
£80,001 - £100,000	0	2	0	0	0	2	£0	£181,450
£100,001 - £150,000	0	0	0	0	0	0	£0	£0
Total	0	12	0	0	0	12	£0	£547,720

37 External Audit Costs

2012/13 £000	2013/14 £000
56 Fees payable to external auditors with regards to external audit services carried out by the appointed auditor for the year	56
20 Fees paid to external auditors for the certification of grant claims and returns for the year	10
76 Total	66

38 Grant Income

79

Contributions and donations to the Comprehensive Income and Expenditure Statement	2012/13 £000	2013/14 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(43)	(1,579)
New Homes Bonus	(219)	(393)
Local Services Support Grant	(50)	0
Council Tax Freeze Grant	(49)	0
Capital Grants and Contributions	(71)	(5)
Section 106 Agreement	(164)	(228)
Disabled Facilities Grant	(236)	(176)
Transformation Award	0	(150)
Capitalisation Provision	0	(8)
Section 31 - NNDR	0	(249)
Rural LA Transitional Funding	0	(23)
Community Right to Challenge	0	(9)
Asset of Community Value	0	(8)
Total	(832)	(2,828)
Credited to Services		
DWP - Housing Benefit Subsidy	(13,172)	(13,788)
DWP - Council Tax Benefit Subsidy	(3,143)	0
DSS - Benefit Administration Grant	(279)	(273)
Rent Rebate Grant	(58)	(33)
NNDR Cost of Collection Grant	(73)	(74)
DHP Grant	(12)	(140)
DCLG Benefit Admin Grant	(100)	(33)
New Burden Grant	(38)	(35)
Troubled Families	(7)	0
EDF - Hinkley C S106 Contribution	(781)	(398)
Bellwin Scheme - Flooding	0	(10)
Section 31 - Flooding	0	(18)
National Grid PPA	0	(24)
Individual Electoral Registration (IER)	0	(13)
Other Grants and Contributions	(58)	(84)
Total	(17,721)	(14,923)

39 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.

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits).

Members of the Council have direct control over the council's financial and operating policies. Members are required to observe the Code of Conduct for councillors, register financial interests in the Council's Register maintained under section 81(1) of the Local Government Act 2000. There are no material related party transactions with members to disclose for 2013/14, although one member has disclosed that they are named on the lease of an Investment Property held by the Authority for which a rent of £0.019m was received during 2013/14. Another member has disclosed that he part owned a property that is used as temporary accommodation by the Authority. The total value of rent received is £0.005m.

During 2013/14 grant payments were made to local organisations on which District Members also serve. Two such organisations were Artlife and the West Somerset Advice Bureau with grants amounting to £0.013m and £0.038m being made respectively.

Grant payments, other than precepts were also made to Parish Councils where District Members are also Parish Council Members. In all instances, the grants were made with proper consideration of declarations of interest. The relevant Members did not take part in any discussion or decision relating to the grants. The total paid to Parish Councils during 2013/14 other than Precept payments amounted to £0.009m.

Officers are required to observe the Code of Conduct for Officers and register the receipt of any gifts/hospitality. The Council had no material related party transactions with officers during 2013/14.

Related party transactions with the precepting bodies are disclosed on page 52, note 49-50 and with the pension fund which is on pages 46-48, note 43 respectively within the Statement of Accounts. The Council had no significant interest in companies.

Amounts due to or from those parties able to control or influence the Council or to be controlled / influenced by the Council during 2013/14 are as follows:

	2013/14 £000
Amounts due to Central Government	1,234
Amounts due to other Local Authorities	606
Amounts due from Central Government	1,045
Amounts due from other Local Authorities	215

40 Capital Expenditure and Capital Financing

2012/13 £000		2013/14 £000
7,658	Opening Capital Financing Requirement	7,658
	<u>Capital Investment</u>	
164	Property, Plant and Equipment	147
0	Investment Properties	20
0	Intangible Assets	63
122	Assets Held for Sale	267
539	Revenue Expenditure Funded from Capital under Statute	604
	<u>Sources of finance</u>	
(304)	Capital receipt	(615)
(521)	Government Grant and other contributions	(486)
	<u>Sums set aside from revenue</u>	
0	MRP/loans fund principle	(25)
<u>7,658</u>	Closing Capital Financing Requirement	<u>7,633</u>
	<u>Explanation of movements in year</u>	
0	Increase / (Decrease) in underlying need to borrowing (unsupported by government financial assistance)	(25)
<u>0</u>	Increase/(decrease) in Capital Financing Requirement	<u>(25)</u>

41 Leases

Authority as Lessee

Finance Leases

The Authority holds two assets under finance leases. The assets held under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2013 £000	31 March 2014 £000
Land and Buildings	39	32
Total	<u>39</u>	<u>32</u>

The rents received in respect of the above assets are of a peppercorn nature and therefore no liability has been recognised.

Operating Leases

The Authority has entered into various operating leases. The future minimum lease payments due under non-cancellable leases in future years are as follows:

	2012/13 £000	2013/14 £000
Not later than one year	89	89
Later than one year and not later than five years	301	254
Later than five years	139	111
	<u>529</u>	<u>454</u>

The expenditure charged to the Comprehensive Income and Expenditure Statement during 2013/14 in relation to these leases was £0.094m.

Authority as Lessor

Finance Leases

Shutgate Meadow Scheme, Williton

No debtors have been included in respect of the Shutgate Meadow scheme due to the fact that the rentals paid are of a peppercorn nature. The Authority's interest in the said scheme comprises the Freehold of four purpose-built one-bedroom flats and associated gardens, access and car parking

provision. The four flats are all currently owner-occupied on a Leasehold basis and the Council remains liable for the Buildings Insurance on the block (for which it re-charges the owners of each flat). When the properties are sold, they are done so on a private basis by the owners and are not subject to re-purchase by the Council. Due to planning restrictions they can only be sold in line with the Council's Affordable Home Ownership Policy (i.e. at a discount of 75% of Open Market Value and to purchasers with a local connection and a gross household income not exceeding £35,000 per annum).

Clanville Housing Scheme, Minehead

No debtors have been included in respect of the Clanville Grange scheme due to the fact that the rentals paid are of a peppercorn nature. In July 2010 the Council adopted a revised Affordable Home Ownership Policy that means in future it will continue to be required to re-purchase (at a discounted price) when owners wish to sell the properties but a Deed of Pre-emption enables the Authority to recoup 30% of the uplift in value - or bear 30% of any loss in value.

Land at Vulcan Road, Minehead

No debtor has been included in respect of the 999-year lease of land at Vulcan Road, Minehead, due to the fact that the premium paid to West Somerset Council during 2009/10 in recognition of the disposal, extinguished the debtor liability immediately.

Operating Leases

The Authority leases out various properties under operating leases for the following purposes:

- For the provision of community services, such as tourism services
- For economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments due to West Somerset Council under non-cancellable leases in future years are as follows:

	2012/13 £000	2013/14 £000
Not later than one year	109	93
Later than one year and not later than five years	373	371
Later than five years	2,540	2,449
	3,022	2,913

42 Impairment Losses

Impairment losses have been recorded, where applicable, following the formal revaluation exercise undertaken on the Authority's asset base, carried out by Mrs. Hannah Plowman on behalf of the Valuation Office as at 31 March 2014.

43 Defined Benefit Pension Schemes

Participation in pension schemes

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

West Somerset participates in the Local Government Pension Scheme, administered locally by Peninsula Pensions on behalf of the Somerset Pension Fund. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Transactions relating to retirement benefits

The Authority 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 the cash payable in the year, so the

real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Transactions Relating to Post Employment Benefits	2012/13 £000	2012/13 £000 (Restated)	2013/14 £000
Comprehensive Income and Expenditure Statement			
<u>Cost of Services</u>			
- Service costs	0	578	667
- Current service costs	578	0	0
- Administration Expenses	0	2	7
<u>Financing and Investment Income and Expenditure:</u>			
- Net interest on the defined liability	0	770	776
- Interest cost	1,477	0	0
- Expected return on scheme assets	(926)	0	0
Total Post Employment Benefits charged to the Provision of Services	1,129	1,350	1,450
<u>Remeasurement of the net defined liability comprising:</u>			
- Return on assets (excluding the amount included in the net interest expense)	0	1,700	269
- Change in financial assumptions	0	(2,595)	500
- Change in demographic assumptions	0	0	(1,431)
- Experience (gain) / loss on defined benefit obligation	0	(35)	2,750
- Other actuarial (gains) / losses on assets	0	0	468
- Prior to new standard - Actuarial (gains) / losses	1,151	0	0
Total Post Employment Benefit Charged to the Income and Expenditure Statement	1,151	(930)	2,556
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	(1,129)	(1,129)	(1,450)
<u>Actual amount charged against the General Fund balance for pensions in the year:</u>			
- Employers contributions payable to scheme	506	285	525

Assets and Liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

Reconciliation of present value of the scheme liabilities	Funded liabilities: Local Government Pension		
	2012/13	2012/13	2013/14
	£000 (Restated)		£000
Opening balances as at 1 April	(32,651)	(32,651)	(36,243)
Current service cost	(578)	(578)	(638)
Interest cost	(1,477)	(1,477)	(1,501)
Change in financial assumptions	0	(2,595)	500
Change in demographic assumptions	0	0	(1,431)
Contributions by scheme participants	(151)	(151)	(141)
Experience loss / (gain) on defined benefit obligation	0	(35)	2,750
Actuarial gains / (losses)	(2,630)	0	
Benefits Paid Out	1,148	1,148	1,058
Past service costs, including curtailments	0	0	(29)
Unfunded Pension Payments	96	96	93
Closing balance as at 31 March	(36,243)	(36,243)	(35,583)

Reconciliation of fair value of scheme assets:

Reconciliation of Fair Value of the Scheme Assets	2012/13	2012/13	2013/14
	£000	£000	£000
	(Restated)		
Opening balances as at 1st April	15,657	15,657	17,476
Expected rate of return	926	0	0
Interest on assets	0	707	725
Return on assets less interest	0	1,700	269
Other actuarial gains / (losses)	0	0	468
Actuarial gains and losses	1,479	0	0
Administration expenses	0	(2)	(7)
Employer contributions	506	506	525
Contributions by scheme participants	151	151	141
Benefits paid	(1,243)	(1,243)	(1,150)
Closing balance as at 31st March	17,476	17,476	18,447

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £0.994m (2012/13 £2.405m).

Scheme History	2009/10	2010/11	2011/12	2012/13	2013/14
	£000	£000	£000	£000	£000
Present value of liabilities:	(32,592)	(28,635)	(32,651)	(36,243)	(35,583)
Fair value of assets in the Local Government Pension Scheme	15,557	16,295	15,657	17,476	18,447
Surplus/(deficit) in the scheme:	(17,035)	(12,340)	(16,994)	(18,767)	(17,136)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £17.136m has an impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall negative balance on the balance sheet of £0.173m. 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 employer's contributions over the remaining working life of employees together with lump sum deficit funding, as assessed by the scheme actuary.

The above liability is split between funded obligations (£15.454m) and unfunded obligations (£1.682m).

The total projected contribution the Council expects to make to the Local Government Pension Scheme in the year to 31 March 2015 is £0.481m.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels etc. The Peninsula Pensions administered pension fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries. Estimates for the Fund are based on the latest full valuation of the scheme as at 31 March 2013.

The principal assumptions used by the actuary have been as follows:

Basis for Estimating Assets and Liabilities	Local Government Pension Scheme	
	2012/13	2013/14
<u>Long-term expected rates of return on:</u>		
- Equity investments	6.3%	6.0%
- Gilts	3.0%	6.0%
- Other Bonds	4.1%	6.0%
- Property	5.4%	6.0%
- Cash	0.5%	6.0%
<u>Longevity at 65 for current pensioners</u>		
- Men	20.1	23.6
- Women	24.1	26.0
<u>Longevity at 65 for future pensioners</u>		
- Men	22.1	25.8
- Women	26.0	28.3
Rate of inflation - RPI	3.3%	3.6%
Rate of inflation - CPI	2.5%	2.8%
Rate of increase in salaries	4.7%	4.6%
Rate of increase in pensions	2.5%	2.8%
Rate for discounting scheme liabilities	4.2%	4.5%

The following assumptions have also been made:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age;

- 10% of active members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

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

	2012/13	2013/14
Equities	72%	71%
Gilts	8%	6%
Other bonds	11%	11%
Property	8%	10%
Cash	1%	2%
Total	100%	100%

Sensitivity Analysis:

Sensitivity Analysis	Local Government Pension Scheme		
	£000	£000	£000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	34,956	35,583	36,221
Projected service cost	492	504	516
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	35,667	35,583	35,500
Projected service cost	504	504	504
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	36,148	35,583	35,029
Projected service cost	516	504	491
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present value of total obligation	34,361	35,583	36,815
Projected service cost	487	504	521

44 Contingent Liabilities

Clanville Housing - The Council continues to maintain its adopted Low Cost Home Ownership Scheme in respect of Clanville Grange in Minehead. As at 31 March 2014 the Council owned three such properties, 7,15 and 21 Clanville Grange for which it paid £0.287m. In July 2010 the Council adopted a revised Affordable Home Ownership Policy. In future it will continue to be required to re-purchase (at a discounted price) when owners wish to sell the properties but a Deed of Pre-emption enables the Authority to recoup 30% of the uplift in value - or bear 30% of any loss in value. N.B. this new arrangement will not apply when properties are sold to a current owner stair casing up within the scheme when properties will be re-purchased at open market value minus the original discount applied.

Land Charges - In common with other Authorities there is a possibility that the council may face legal action over the fees it has charged for certain services that it provides under land charges.

There is no certainty at this stage that there will be financial implications.

Municipal Mutual Insurance - In 1992/93 the Council's then insurer, Municipal Mutual Insurance Limited, ceased accepting new business and the Council was obliged to make new arrangements for insurance. A number of claims were outstanding at that time and, in common with many other local authorities, this Council joined in a scheme of arrangement to meet all outstanding claims. On 28 March 2012 the Supreme Court ruled that the insurer who was on risk at the time of an employee's exposure to asbestos was liable to pay compensation for the employee's mesothelioma. West Somerset Council is listed as Scheme Creditors party to the contingent Scheme of Arrangement sanctioned by the Court in January 1994. Municipal Mutual Insurance may therefore ask for West Somerset to pay a percentage of the paid out figure and may also ask for the same percentage figure as further claims are paid. It is not possible at this point in time to predict with any accuracy the potential contribution the Council may be required to pay.

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 27 February 2013, West Somerset Council elected to become a Member of the Company – South West Audit Partnership Ltd – with effect from 1 April 2013.

45 Contingent Assets

Hinkley Point C - Of the £28.000m mitigation monies in respect of the Hinkley Point C site preparation project, the largest part of this, some £17.000m, is due to be paid to West Somerset Council upon commencement of earthworks at the Hinkley Point site. EDF has commenced earthwork in May 2014, when West Somerset Council received £9.600m from EDF. EDF have yet to make a final investment decision. The European Commission is currently investigating the pricing contract agreed between EDF and the government as it could break state aid rules. We expect the ruling to be made over the next year.

If EDF go ahead with the construction, the remainder of the mitigation monies (about £4.000m) will be paid at various stages throughout the project.

All contributions which have been due have been paid on time and in full to date. Any contributions which have been spent and/or distributed by the Council have been in accordance with the approval sought and received from Cabinet or Council following discussion at either the Councils internal Planning Obligations Group or the Planning Obligations Board which involves Sedgemoor District Council, Somerset County Council and EDF Energy. The joint board has been established in accordance with the legal agreement to consider and make recommendations to West Somerset’s Cabinet and Council about projects to be funded from around £10.000m of contributions relating to Community Impact Mitigation, Housing and Economic Development. This is likely to result in funding being made available to a range of both public and community-led projects.

46 Nature and Extent of Risks Arising From Financial Instruments

The Council’s activities expose it to a variety of financial risks. The key risks are:

- Credit risk - the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk - the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

The 2013/14 treasury management strategy which incorporated the prudential indicators was approved by Council on 27 March 2013 and is available on the Council website. Full Council approved the current strategy on 26 March 2014. The key issues within the 2013/14 strategy were:

- The Authorised Limit for 2013/14 was set at £10.000m. This is the maximum limit of external borrowings or other long-term liabilities.
- The Operational Boundary was expected to be £7.500m. This is the expected level of debt and other long-term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 100% based on the Council’s net debt.

The Finance Team implements these policies. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

Credit risk

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

The Council does not generally allow credit for its customers. The total Authority debt due can be shown by the aged debt analysis as follows:

	31 March 2013	31 March 2014
Less than three months	97,800	254,600
Three to six months	26,600	22,000
Six months to one year	65,200	61,400
More than one year	523,000	569,500
Total	712,600	907,500

At the beginning of 2013/14 the provision for impairment of sundry debts (excluding council tax) stood at £0.376m. The Authority has now made a provision for impairment of sundry debts of £0.402m in the 2013/14 accounts, which is an overall increase of £0.026m. The revised level of provision has been reviewed in light of the current economic conditions.

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day-to-day cash flow need, and the PWLB (Public Works Loan Board) and money markets for access to longer-term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity risk

The Council maintains a debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer-term financial liabilities and longer-term financial assets.

The maturity analysis of financial liabilities is as follows:

	31 March 2013 £000	31 March 2014 £000	Notes
Public Works Loans Board	3,500	0	Repaid in February 2014
West Yorkshire PCC	0	3,500	Repayable in August 2014
Total	3,500	3,500	

Market risk - Interest rate risk

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

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be immaterial.

Market Risk - Price risk

The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

Market Risk - Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to Local Authorities and the Government of council tax and non-domestic rates.

2012/13		2013/14		
Total £000	Notes	Business Rates £000	Council Tax £000	Total £000
Income				
(10,241)	Business Rates Receivable	(12,411)	0	(12,411)
(18,666)	Council Tax Receivable	0	(19,503)	(19,503)
(3,111)	Council Tax Benefits	0	0	0
(32,018)	Total Income	(12,411)	(19,503)	(31,914)
Expenditure				
<u>Apportionment of Previous Year Surplus:</u>				
0	- Central Government	0	0	0
184	- Somerset County Council	0	81	81
30	- Police & Crime Commissioner for Avon & Somerset	0	13	13
13	- Devon and Somerset Fire and Rescue Authority	0	6	6
33	- West Somerset District Council	0	15	15
260		0	115	115
<u>Precepts and Demands:</u>				
10,167	- Business Rates - Payments to National Pool	0	0	0
0	- Central Government	5,194	0	5,194
15,189	- Somerset County Council	50	13,213	14,148
2,485	- Police & Crime Commissioner for Avon & Somerset	50	2,161	2,161
1,093	- Devon and Somerset Fire and Rescue Authority	50	970	1,074
1,965	- West Somerset District Council	50	1,773	5,928
840	- Parish Councils	50	771	771
31,739		10,388	18,888	29,276
<u>Charges to the Collection Fund:</u>				
56	Write offs of uncollectable amounts	16	22	38
0	Increase / Decrease (-) in Bad Debt Provision	0	40	40
0	Provision for Appeals	1,850	0	1,850
74	Cost of Collection	74	0	74
130		1,940	62	2,002
111	(Surplus) / Deficit for the year	(83)	(438)	(521)
(208)	(Surplus) / Deficit b/fwd 1st April	0	(97)	(97)
(97)	(Surplus) / Deficit c/fwd 31st March	(83)	(535)	(618)

Income from Business Ratepayers

The Council collects National Non-Domestic Rates (NNDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government. In previous financial years the total amount due, less certain allowances, was paid to a central pool (the NNDR pool) administered by Central Government, which, in turn, paid to Local Authorities their share of the pool, such shares being based on a standard amount per head of the local adult population.

In 2013/14, the administration of NNDR changed following the introduction of a business rates retention scheme which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to the central pool, local authorities retain a proportion of the total collectable rates due. In the case of West Somerset Council the local share is 40%. The remainder is distributed to preceptors and in the case of West Somerset these are Central Government (50%), Somerset County Council (9%) and the Devon and Somerset Fire & Rescue Authority (1%).

47 Business Rates

2012/13 £	2013/14 £
31,400,231	31,377,851
Total non-domestic rateable value at end of year (31 March)	
45.8p	47.1p
National non-domestic rate multiplier for the year	
45.0p	46.2p
Small business non-domestic rate multiplier for the year	

48 Council Tax Base

Band	Chargeable Dwellings	Conversion Factor	Band D Equivalent	Income £000
A	1,950	6/9	1,300	1,908,998
B	2,942	7/9	2,288	3,359,836
C	2,832	8/9	2,517	3,696,114
D	2,590	9/9	2,590	3,803,311
E	1,430	11/9	1,748	2,566,868
F	1,018	13/9	1,470	2,158,636
G	530	15/9	883	1,296,650
H	33	18/9	66	96,918
	13,325		12,862	18,887,333

49 Council Tax Amount (Band D)

2012/13 £	2013/14 £
1,027.30	1,027.30
Somerset County Council	
168.03	168.03
Police & Crime Commissioner for Avon & Somerset	
73.92	75.39
Devon and Somerset Fire and Rescue Authority	
132.90	137.82
West Somerset District Council	
56.81	59.92
Parish/Town Councils	
1,458.96	1,468.46
Total	

50 Precepts and Demands

2012/13 £000	2013/14 £000
15,189	13,213
Somerset County Council	
2,485	2,161
Police & Crime Commissioner for Avon & Somerset	
1,093	970
Devon and Somerset Fire and Rescue Authority	
1,965	1,773
West Somerset District Council	
840	771
Parish/Town Councils	
21,572	18,888
Total	

51 Allocation of Council Tax Year End Surplus

2012/13 £000	2013/14 £000
68	373
Somerset County Council	
11	62
Police & Crime Commissioner for Avon & Somerset	
5	28
Devon and Somerset Fire and Rescue Authority	
13	72
West Somerset District Council	
97	535
Total	

52 Allocation of Non Domestic Rate Year End Surplus

2012/13 £000	2013/14 £000
0	42
Central Government	
0	7
Somerset County Council	
0	1
Devon and Somerset Fire and Rescue Authority	
0	33
West Somerset District Council	
0	83
Total	

Scope of responsibility

West Somerset Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. West Somerset Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

West Somerset Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code can be obtained on request.

This statement explains how West Somerset Council has complied with the code and also meets the requirements of regulation 4 (2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment)(England) Regulations 2006 in relation to the publication of a statement on internal control.

The purpose of the governance framework

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

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

The governance framework has been in place at West Somerset Council for the year ended 31 March 2014 and up to the date of approval of the statement of accounts.

The governance framework

The key elements of WSC's governance arrangements are outlined in the Local Code of Corporate Governance. The main areas and the key evidence for delivery are as follows:

Core Principle 1: focusing on the purpose of West Somerset Council and on outcomes for the community and with partners creating and implementing a vision for the local area;

- The Corporate Plan sets out the purpose, vision and priorities for WSC. This plan is reviewed annually and key tasks amended where appropriate to reflect changing circumstances. These key tasks are then reflected in the service plans.
- The Corporate Plan now includes measures of success to demonstrate effective delivery of the outcomes. Reporting against these are included in the quarter 4 report as the end of year annual review.
- A joint Chief Executive (between TDBC/WSC) has been in place since July 2013.
- In Nov 2013, WSC agreed to work in partnership with TDBC. A Joint Management Team (JMT) has been in place since Jan 2014 and a single staffing structure will be implemented by Feb 2015.
- WSC are in various partnerships and contracts to deliver service e.g. Somerset Waste Partnership, South West Audit Partnership, Street cleansing services provided by Veolia under contract

- Service performance measures and delivery ~~90~~ key tasks are included in service plans to monitor services delivered in partnership/under contract.
- The council undertakes an annual satisfaction survey includes questions to determine the level of satisfaction with key services and the results are reported to members, managers and service areas to inform service improvement.
- The Council approved a treasury management strategy and an annual investment strategy during the year, which includes its prudential indicators in accordance with the CIPFA code.
- The council have previously undertaken benchmarking supported by SPARSE but this is not undertaken consistently.
- The proposals to align and integrate TDBC & WSC's Performance Management Frameworks has identified benchmarking as an area for development and improvement.

Joint Management and Shared Services –

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

Core Principle 2: members and officers work together to achieve a common purpose with clearly defined functions and roles:

- Up to Dec 2013, the Council's senior management was provided by CMT (Corporate Management Team) and from Jan 2014, the newly appointed Joint Management Team were in place and meets monthly. The Chief Executive, Assistant Chief Executive and Directors, operating as the Senior Leadership Team (SLT), meet monthly.
- A Chief Executive was appointed in July 2013 shared between TDBC and WSC;
- The Chief Executive's annual Personal Development Review (PDR) is undertaken by the Leader of the Council, the Lead member for Finance and Resource and the Leader of the Democratic Alliance. The PDR sets out the priorities and targets for the Chief Executive and reviews progress against these.
- Regular meetings are held between the Leader and the Chief Executive in order to maintain a shared understanding of respective roles and the council's objectives.

Section 151 -

- Up to Jan 2014, the role of chief financial officer and Section 151 for the council was covered by a part-time secondment from Somerset County Council.
- From Jan 2014 onwards, the Chief Financial Officer and Section 151 provision is covered by the Director – Operations as part of the TDBC/WSC Joint Management now in place

- The Chief Financial Officer is a CCAB (Consultative Committee of Accountancy Bodies) qualified accountant and is responsible for maintaining a robust system of internal control

Monitoring officer -

- In the new JMT arrangements in place since Jan '14, the Assistant Chief Executive and monitoring officer is a member of the Senior Leadership Team
Two deputies are also appointed and are available to cover both WSC and TDBC
- A shared remuneration panel with SCC is already in operation and there are discussions with other Somerset districts regarding their joining. The panel meets as and when required and met twice during 2013/14
- For 2014/15 the shared remuneration panel will be involved in the preparation work regarding training for new members following the district elections in 2015
- As part of the performance management framework, portfolio holders meet regularly with their respective Assistant Directors to discuss performance, current and future issues affecting the services and the public.
- Key Performance Indicators are included in service plans and progress against the agreed targets are reported quarterly to Scrutiny & Cabinet where remedial action is reported and considered
- The council has a robust financial planning process, including the preparation of a medium term financial plan and an annual budget that is monitored regularly. Budget holders receive monthly budget reports and members receive a quarterly financial monitoring report as part of the Quarterly performance management report.
- Service plans are clearly linked to the corporate plan and the MTFP. They provide detail about the key actions to be undertaken to deliver on the corporate priorities. They also identify the performance measures and targets to ensure services achieve their objectives and to the required standard.
- Performance against the corporate plan and the service plans are reported quarterly to Scrutiny Committee and Cabinet

Joint Management and Shared Services –

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

Core Principle 3: promoting the values of West Somerset Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour:

- The Council undertake an annual appraisal process for all staff.
- The register of interests of councillors is published on the council's website in the 'find a councillor' section and available as a pdf to download.
- The Code of Conduct and the Register of Gifts and Hospitality are all public documents and can be viewed at the Council Offices and available via the website.
- Managers are responsible for making sure staff are aware of, and adhere to the council's policies, procedures, laws and regulations. The financial management of the council is conducted in accordance with its financial regulations and contract standing orders as part of the constitution and updated every year
- The Standards Advisory Committee promotes high standards of behaviour by members, reviewing policies and law as relating to members behaviour. The committee consists of three WSC councillors, three town/parish councillors and three independent members, one of whom is chairman to demonstrate independence and objectivity.

- During 2013/14 75 formal complaints against councillors under their code of conduct were received or were being processed.

Joint Management and Shared Services –

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

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

- The council maintains an internal audit service through the South West Audit Partnership (SWAP) that operates to standards specified by the institute of Internal Auditors (IIA) and the Chartered Institute of Public Finance Accountants (CIPFA).
- In 2013, SWAP changed their legal status and now operate as a limited company. WSC's Senior Accountant represents the council on the board of members.
- The Scrutiny Committee has a right of 'call-in' for Cabinet decisions. Many issues pass through Scrutiny in order for comments to be passed to Cabinet and/or full Council. This improves transparency.
- S106 agreements, flooding and Williton hospital were examples of areas where the Scrutiny Committee undertook reviews.
- The CFO/Section 151 officer has direct access to the Chair of Audit Committee and the Authority's external auditors.
- All council meetings are open to the press and public, except where personal or confidential matters are discussed. Members of the public are allowed to speak at meetings and have done so regularly throughout the year. The public element of all formal meetings are normally subject to audio recording.
- The Cabinet and Scrutiny Committee have forward plans that are available on the council's website via the recording of minutes and agenda
- The Council has an approved risk management strategy that identifies how risks are identified, monitored and managed.
- To ensure that day to day business of the council considers risk within its decision making processes, each committee report must include risk management information, scores and mitigating actions to inform member decisions.
- All high risks are recorded and managed via the corporate risk register and all other identified risks are managed via the appropriate service plan.
- The Whistleblowing policy is available on the Council's website.
- The Council has adopted a constitution that sets out how it operates, how decisions are taken and the procedures to follow. The constitution is regularly reviewed to ensure it is fit for purpose. The constitution was updated in July 2013, to reflect the appointment of the Joint Chief Executive and in January 2014 to reflect the appointment of the Joint Management Team.

- Savings from the Joint Management and staffing restructure were based on a budget envelope to ensure the required savings would be achieved.
- The business case identified savings from joint management and staffing restructure was based on a budget envelope to assure savings are achievable. Savings from future transformation phase were not included because it relies on member appetite for change and cannot be anticipated with enough assurance at this stage.
- There are many services delivered by both councils that can be integrated into a single delivery team
- There are also differences (eg Housing stock/coastal management) which can still be brought together under joint management & structure, although the scope for savings in these areas through joining services is obviously more limited
- Staff briefings held throughout the process have clearly stated the reasons and advantages of the partnership. A monthly project newsletter was produced during development of the business case to keep staff informed and this has been replaced with the 'OneTeam'
- A risk register was developed and maintained as part of the business case process and was monitored and managed by the project board and JMAP.

Following approval of the business case an implementation risk register has been drafted and this is monitored and managed by the project board and JPAG.

- Risks associated with the Partnership project are also included in the joint TDBC/WSC Corporate risk register as appropriate.

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

- Job descriptions are in place for all posts and are being reviewed as part of the Joint Management and Shared Services restructure
- The Council has a personal development review (PDR) process in place for managers to discuss with each member of staff their capacity and capability to carry out their role and future roles. They are then responsible for identifying appropriate training and development opportunities
- There is a new member induction programme and members have the opportunity to attend appropriate training courses/workshops
- 12 service managers undertook training provided by the Institute of Leadership and Management and completed the course in July 2013

Joint Management and Shared Services –

- Work is currently underway regarding an organisational development programme to ensure that staff appointed into the new structure have the appropriate support, training and development to be effective in their new roles.
- The business case includes an ICT programme including technologies to enable managers and staff are able to work effectively across the disparate office locations. This includes a dedicated secure comms line that has been installed between Deane House and WSHouse. A trust domain has also been established to enable both MS Outlook instances to be integrated, including calendars. Work is underway to combine/integrate building access control systems at both locations.

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

- Area panels ensure local accountability and local access – A representative from the TDBC/WSC Senior Leadership Team attends all area panels.
- An annual customer satisfaction survey is sent to all households, included with the Council Tax bills. The findings are reported as part of the Qtr 4 performance report and its findings influence future service and budget planning.
- Customer complaints/compliments are regularly monitored and feed into service delivery.
- The Council's e-consultation system at westsomersetsays.com provides details of the consultations underway and a summarised statement of accounts is available on the council's website

- Regular 'under the spotlight' staff briefings⁹⁴ undertaken by the Chief Executive and following Jan 2014, monthly all staff briefings held, with sessions available to attend at West Somerset House & Deane House.

Joint Management and Shared Services –

- The communications plan to support the business case process included keeping community groups and key stakeholders informed.
- A press briefing was held on 1st Oct '13 to ensure the media were kept in the loop and able to report accurately about the business case proposals.
- TDBC's weekly brief and WSC's community matters have also been used to communicate information at key stages.
- Communications, since the Business case approval has been focused internally (for staff and members), which is appropriate to this stage of the process.
- The communications plan being updated for the next stage of the process and successes at key stages will be communicated to the public as appropriate
- Monthly staff briefings, regular member briefings and the monthly newsletter circulated to all members and officers are key communication channels at this stage of change, to reinforce the 'OneTeam' ethos, to highlight successes and future proposals and developments of the transformation phase.

The authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

Review of effectiveness

West Somerset Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The review of effectiveness is informed by the work of the South West Audit Partnership acting as the council's internal auditors, and the Joint Management Team who have responsibility for the development and maintenance of the governance environment.

The process that has been applied to maintaining and reviewing the effectiveness of the governance framework include:

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

In its review of effectiveness, the Authority has assessed its overall governance arrangements as adequate.

Some areas where further improvements could be made have also been identified and these are listed below:

- Improve the communication of the authority's purpose and vision and its intended outcomes to citizens and service users.
- Draft a community engagement and communications plan for the council
- Undertake comparisons with other councils to evidence value for money is being achieved and to identify areas for improvement
- Prepare an annual summary of progress of the key actions to deliver the 2013-16 Corporate Plan, also achievements and challenges throughout the year

Joint management and shared services

- Undertake member development as part of the overall programme.

Over the coming year we will continue to enhance our governance arrangements. We are satisfied that these steps, shown above, will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

On behalf of West Somerset Council:

Signed:
Leader of the Council

Signed:.....
Chief Executive

Local Government, in common with many specialised activities, has developed over the years its own unique set of terms and phrases.

This glossary helps to identify some of those terms and phrases (more often than not abbreviated in common usage to initial letters only), which will be found in this statement.

Accruals

are one of the main accounting concepts and ensures that income and expenditure are shown in the accounting period that they are earned or incurred, not as money is received or paid.

Accumulated Absences Account

is the account that holds the differences between the amounts debited or credited to the Comprehensive Income and Expenditure Statement in accordance with the Code and the amounts debited and credited to the General Fund in accordance with the statutory regulations relating to accruals made for the cost of holiday entitlements earned by employees but not yet taken before the year end.

Apportionment

is the mechanism for allocating the cost of support services to front line and other services using appropriate bases to spread the cost fairly.

Asset

is something that West Somerset owns that has a monetary value. Assets are either 'current' or 'non-current'.

- Current assets are assets that will be used, or will cease to have material value, by the end of the next financial year (e.g. debtors)
- Non-current assets provide West Somerset benefits for a period of more than one year.

Assets Held for Sale

are assets where it is expected that the carrying amount is going to be recovered principally through a sale transaction rather than continued use.

Audit of Accounts

is an examination by an independent expert of an organisation's financial affairs to check that the relevant legal obligations and the codes of practice have been followed.

Balances

are the accumulated surplus of revenue income over expenditure.

Balance Sheet

is a financial statement summarising the Council's assets, liabilities and other balances at the end of each accounting period.

Best Value

is the Government's legislative framework for ensuring that local authorities have set up arrangements to secure sustained improvement in quality and cost of local service provision. It imposes two new duties: the Duty of Best Value and the Duty to Consult. The onus is on the local authorities to demonstrate they are achieving Best Value rather than on Central Government to prescribe it. It replaced Compulsory Competitive Tendering legislation on 1 April 2000.

Budget

is a financial statement that expresses an organisation's service, delivery plans and capital programmes in monetary terms.

Capital Adjustment Account

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is a reserve created from the balances on the Capital Financing Account and Fixed Asset Restatement Account as at 31 March 2007. This account will continue to record the consumption of historic cost over the life of the asset and Revenue Expenditure Funded from Capital under Statute over the period that the authority benefits from the expenditure. The account will also record the resources set aside to finance capital expenditure.

Capital Charges

represent the cost to services for the use of non-current assets in the provision of their services; the charges reflect depreciation and impairment.

Capital Contributions/Grants

are monies received from external bodies towards the financing of capital expenditure on a particular service or scheme.

Capital Expenditure (Outlay)

is on the acquisition of a non-current asset that will be used to provide services beyond the current accounting period or expenditure that adds value to an existing non-current asset.

Capital Programme

is a financial summary of the capital schemes that West Somerset intends to carry out over a specified time period.

Capital Receipts

are the proceeds from the sale of capital assets; they are available to repay debt on existing assets and/or to finance new capital expenditure within rules set by the Government.

Carry Forwards

are unspent revenue budget approvals, which the district executive committee is able to transfer into the following financial year.

Cash Equivalents

are short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Cash Flow Statement

summarises the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes.

Central Government Grants

comprise three types:

- Grants paid by Central Government to aid local authority services in general, as opposed to specific grants, which may only be used for a specific purpose. Revenue Support Grant (RSG) and New Homes Bonus. RSG makes up the difference between expenditure at the formula spending share and the amount, which would be collected in council tax for that level of expenditure and the amount of non-domestic rate redistributed. New Homes Bonus is to reward local authorities for improved delivery of housing and other planning outcomes as part of their strategic place shaping role and to provide more support to communities and local councils who are actively seeking to deliver new homes.
- Specific service grants – grants for services in which Central Government have a more direct involvement.
- Supplementary grants – grants for both capital and revenue

CIPFA

is the Chartered Institute of Public Finance and Accountancy.

Code

is the Code of Practice of Local Authority Accounting that is generally based upon those accounting principles that are incorporated within approved accounting standards, modified to reflect the statutory

framework in which local authorities operate. The Code states which accounts should be published as part of the Statement of Accounts, and the information to be included in each account.

Collection Fund

are separate funds recording the expenditure and income relating to council tax, non-domestic rates and residual community charge.

Collection Fund Adjustment Account

The Collection Fund Adjustment Account represents the Authority's share of the Collection Fund Surplus or Deficit.

Community Assets

are those assets held in perpetuity and which have no determinable useful life and there are often restrictions regarding their sale.

Comprehensive Income and Expenditure Statement (CIES)

consolidates all the gains and losses experienced by an authority during the financial year.

Corporate and Democratic Core

comprises all activities, which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities is over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no appropriate basis for apportioning these costs to services.

Creditors

are amounts of money West Somerset owes to others for goods and services that they have supplied in the accounting period but not paid for.

Debtors

are amounts of money others owe to West Somerset for goods and services that they have received but have not paid for by the end of the accounting period.

Depreciation

is a charge made to the revenue account each year that reflects the reduction in the value of land, property, plant, ICT equipment and machinery used to deliver services.

Derecognition

is the term used for the removal of a financial instrument from the balance sheet. This will normally occur when the contractual rights to the cash flows arising from the instrument expire or are transferred.

Earmarked Revenue Reserves

are amounts set aside from revenue to meet particular spending needs, including funding capital projects.

Effective Interest Rate

is the rate of interest that will discount all the cash flows that will take place throughout the expected life of a financial instrument down to the fair value of the instrument calculated at initial measurement.

Employment Costs

are the salaries and wages etc, of staff including expenditure on training and the costs of redundancy.

Fair Value (Financial Instruments)

is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. If available, this will be a published price quotation in an active market; otherwise, alternative valuation techniques will be employed.

Fair Value (Tangible Assets)

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is the price at which an asset could be exchanged in an arm's-length transaction less, where applicable, any grants receivable towards the purchase of use of that asset.

Fees and Charges

are the income raised by charging for the use of facilities or services.

Finance Leases

are those leases, which transfer substantially the benefits and risks of ownership of the asset that is being leased to the party who is leasing the asset.

Financial Instruments

are any contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another. In practice these include bank deposits, loans, investments, borrowings and other receivables or payables.

Financing Transactions

relate, in the main, to interest payments and receipts associated with the management during the year of the Council's cash flow and reserves.

General Fund Balance

compares the Council's spending against the Council Tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

Government Grants

are made by the Government towards either revenue or capital expenditure to help with the cost of providing services and capital projects. Some government grants have restrictions on how they may be used whilst others are general.

Housing Benefits

is the national system for giving financial assistance to individuals towards certain housing costs. West Somerset Council administers the scheme for West Somerset residents. The Government subsidises the cost of the service.

Impairment

is the reduction in the value of a non-current asset as shown in the balance sheet to reflect its true value.

Income

is the amount, which the Council receives, or expects to receive, from any source; service committee revenue income includes grants, sales, rents and fees and charges.

Infrastructure

are those assets, which do not have a realisable value and include roads and footpaths.

Internal Service Recharge

Is a recharge from a department that provides professional and administrative support to other internal services.

IFRS

is an International Financial Reporting Standard advising the accounting treatment and disclosure requirements of transactions so that an authority's accounts 'present fairly' the financial position of the authority.

Investment

is the lending of surplus money to another party in exchange for interest.

Investment Property

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is property held exclusively for revenue generation for capital gains that the assets is expected to generate.

Liabilities

must be included in the financial statements when West Somerset Council owes money to others. There are different types of liability: -

- A current liability is a sum of money that will or might be payable during the next accounting period. e.g. creditors or cash overdrawn.
- A deferred liability is a sum of money that will not be payable until some point after the next accounting period or is paid off over a number of accounting periods.

Loans and Receivables

are financial instruments that have fixed or determinable payments and are not quoted in an active market.

Long-term Investments

are those, which are intended to be held on a continuous basis for the activities of the authority.

Materiality

is one of the main accounting concepts. It ensures that the statement of accounts includes all the transactions that, if omitted, would lead to a significant distortion of the financial position at the end of the accounting period.

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.

Movement in Reserves Statement (MIRS)

shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' and 'unusable reserves'.

National Non-Domestic Rate (NNDR) Income (also known as Business Rates)

Business Rates are collected locally, pooled nationally and then redistributed to all local authorities on a population basis.

Net Book Value

is the Balance Sheet amount of non-current assets and represents their historical cost or current replacement value less cumulative depreciation provisions.

Net Current Replacement Cost

is the cost of replacing an asset in its existing condition and use.

Net Realisable Value

is the open market value of an asset in its existing use net of the potential expenses of sale.

Non-Current Asset

is an item of worth, which is measurable in monetary terms and provides benefit for more than the period of account – see also Capital Expenditure.

Non-Current Asset Held for Sale

is a non-current asset that becomes available for sale and it is probable that the carrying amount of that asset will be recovered through a sale transaction rather than through its continuing use.

Non-Operational Assets

are those assets, which are not directly used in the provision of services and mainly comprise those assets, which are surplus to requirements and held pending disposal.

Operational Assets

are those assets e.g. land and buildings, used in the direct provision of services.

Operating Leases

are all leases, which are not finance leases.

Other Operating Costs

includes expenditure on buildings, fuel, light, rent, rates, and purchase of furniture and equipment.

Precept

is the means by which Somerset County Council; Police and Crime Commissioner for Avon and Somerset; Devon and Somerset Fire and Rescue Authority and the parishes obtain their revenue income from the District Councils' Collection Fund.

Provisions

are amounts set aside to meet costs which are likely or certain to be incurred, but are uncertain in value or timing.

PWLB

is the Public Works Loan Board, a Government agency that lends money to the public sector.

Rateable Value

is the annual assumed rental value of a property that is used for business purposes.

Related Parties

are when at any time during the financial period:-

- One party has direct or indirect control of the other party
- The parties are subject to common control from the same source
- One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing its own interests
- The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own interests.

Related Party Transactions

is the transfer of assets or liabilities, or the performance of services by, to or for a related party irrespective of whether or not a charge is made.

Remuneration

includes taxable salary payments to employees, together with non-taxable payments on termination of employment (including redundancy, pension enhancement payments, and pay in lieu of notice), taxable expense allowances and any other taxable benefits.

Reserves

result from the accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at West Somerset's discretion.

Residual Value

is the value of an asset at the end of its useful life.

Revaluation Reserve

records the unrealised revaluation gains, arising since 1 April 2007 from holding non-current assets. Previously such gains were credited to the Fixed Asset Restatement Account.

Revenue Expenditure

is the day-to-day spending on salaries, maintenance of assets, purchase of stationery etc after deducting income such as fees and charges.

Revenue Expenditure Funded Capital under Statute

Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's council tax.

Revenue Support Grant

is a general grant paid by the Government to local authorities as a contribution towards the cost of their services.

Usable Reserves

are reserves that can be applied to fund expenditure or reduce local taxation.

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Report Number: WSC 134/14

Presented by: Steve Plenty, Finance Manager & Peter Barber (Grant Thornton)

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Report to a Meeting of: Audit Committee

To be Held on: 22nd September 2014

Date Entered on Executive Forward Plan Or Agreement for Urgency Granted: N/A

EXTERNAL AUDIT 2013/14 – AUDIT FINDINGS REPORT

1. PURPOSE OF REPORT

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

2. CONTRIBUTION TO CORPORATE PRIORITIES

- 2.1 Achieving financial sustainability.

3. RECOMMENDATIONS

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

4. RISK ASSESSMENT (IF APPLICABLE)

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	Possible (3)	Major (4)	Medium (12)
Arrangements for financial control, accounting and reporting are robust, and Statement of Accounts subject to external audit	Rare (1)	Major (4)	Low (4)

- 4.1 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.

5. BACKGROUND INFORMATION

- 5.1 The Statement of Accounts 2013/14 was signed off by the Council's s151 Officer in June 2014 – within the statutory deadline, and before the start of the external audit review.
- 5.2 The external audit review has significantly progressed and the auditor has indicated their intention to issue an “unqualified opinion” for the Statement of Accounts - a clean bill of health (but please note 5.5 below).
- 5.3 In previous years the auditor has issued a separate Financial Resilience Report, including a conclusion in respect of the council's arrangements to secure value for money (VFM). This year this part of the auditor's assessment has been included within the Audit Findings Report, providing a consolidated view.
- 5.4 The auditor has also provided an “unqualified value for money conclusion”, meaning our arrangements to secure economy, efficiency and effectiveness in our use of resources are sound (but please note 5.5 below). The auditor also recognises that the financial position remains challenging and significant savings still need to be identified to achieve ongoing financial resilience.
- 5.5 However it should be noted that Grant Thornton are finalising a few areas of their work which will be completed by the date of the committee – as noted in their attached report. Should there be any significant matters identified following the publication of this report an update will be provided at the Committee meeting.

6. FINANCIAL/RESOURCE IMPLICATIONS

- 6.1 In respect of the Statement of Accounts there are one or two minor issues that have been brought to my attention during the audit process, but nothing of significance. There are no material errors to report, and a small number of presentational changes have been made to the final audited Statement of Accounts for 2013/14 – although none of these affect the financial position of the council. These are set out in the auditor's report.

7. COMMENTS ON BEHALF OF SECTION 151 OFFICER

- 7.1 The audit process has again run smoothly, largely due to the excellent preparation work done by our Finance Team. In particular I would like to thank Steve Plenty, Philip West and James Howells for their work to ensure the accounts have been well-prepared and the support provided to the auditors during their review. The whole team has worked hard to ensure effective accounts preparation has been maintained and audit queries have been dealt with promptly. Positive feedback from the audit team in this respect is welcome.
- 7.2 In respect of value for money and our financial resilience there some issues flagged as “amber” – meaning potential areas of risk – in the report that we need to continue to focus on moving forward. None of these matters are a surprise and I am confident that Members recognise the importance of our financial sustainability.
- 7.3 The findings reflect the scale of the financial challenge we continue to face - and the progress made to date. Members should note the risks and ensure they are

committed to the approach to budget setting that will emerge following the “Towards a Financially Fit Future” report to Scrutiny in July 2014.

8. EQUALITY & DIVERSITY IMPLICATIONS

Members need to demonstrate that they have consciously thought about the three aims of the Public Sector Equality Duty as part of the decision making process.

The three aims the authority **must** have due regard for:

- Eliminate discrimination, harassment, victimisation
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it

8.1 None in respect of this report.

9. CRIME AND DISORDER IMPLICATIONS

9.1 None in respect of this report.

10. CONSULTATION IMPLICATIONS

10.1 None in respect of this report.

11. ASSET MANAGEMENT IMPLICATIONS

11.1 None in respect of this report.

12. ENVIRONMENTAL IMPACT IMPLICATIONS

12.1 None in respect of this report.

13. LEGAL IMPLICATIONS

13.1 None in respect of this report.



The Audit Findings for West Somerset District Council

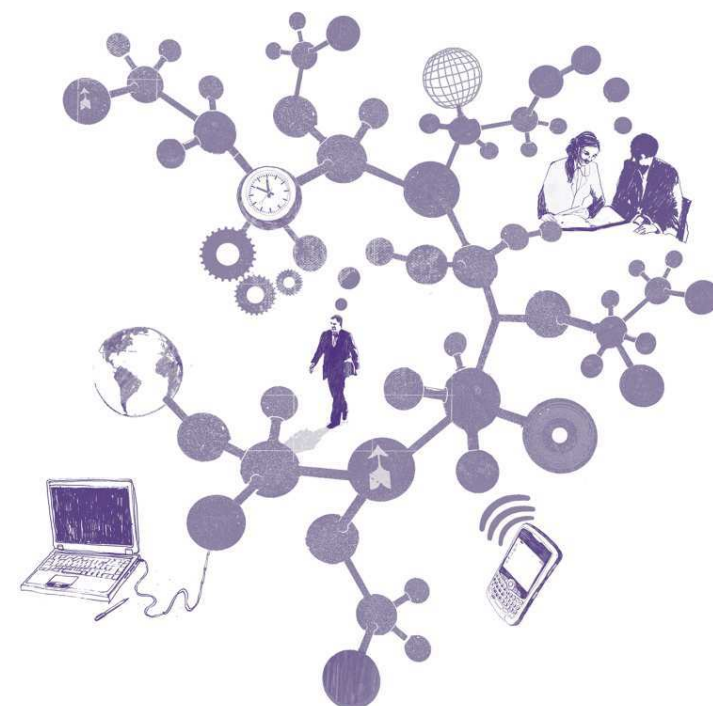
Year ended 31 March 2014

12 September 2014

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

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

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Section 1: Executive summary

- 01. Executive summary
- 02. Audit findings
- 03. Value for Money
- 04. Fees, non audit services and independence
- 05. Communication of audit matters

Executive summary

Purpose of this report

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

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

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 24 March 2014.

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

- complete final testing and review of a number of areas such as grants, other revenue, operating expenses and property, plant and equipment;
- review of the final version of the financial statements;
- obtaining and reviewing the final management letter of representation;
- review of final version of the Annual Governance Statement;
- receipt of confirmation of debt from West Yorkshire Police and Crime Commissioner;
- receipt of letter of assurance from the auditor of the Pension scheme;
- receipt of bank confirmation from Santander;
- updating our post balance sheet events review, to the date of signing the opinion; and
- Whole of Government Accounts.

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

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion on the financial statements.

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

We have identified one adjustment which has had no affect to the Council's reported financial position (details are recorded in section 2 of this report). We have also identified a number of adjustments to improve the presentation of the financial statements.

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

- the accounts were produced to a good standard and there have been no material errors;
- the audit has been facilitated by good supporting working papers and excellent assistance from the finance team; and
- all requests for additional information were dealt with promptly by the finance team.

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

Value for Money conclusion

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

The Council's financial position remains challenging and significant savings still need to be identified to enable balanced budgets to be set without relying on the use of reserves.

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

Whole of Government Accounts (WGA)

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

Controls

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

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

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

Further details are provided within section 2 of this report.

The way forward

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

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

Acknowledgment

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

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 24 March 2014. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

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

Audit opinion

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

Audit findings against significant risks

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

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

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

Audit findings against other risks

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


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

Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Welfare expenditure	Welfare benefit expenditure improperly computed	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • Walkthrough and tests of design and operation of controls • Testing a sample of benefit claims to ensure they were eligible and had been calculated correctly 	Our audit work has not identified any significant issues in relation to the risk identified.

Accounting policies, estimates & judgements

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



Accounting area	Summary of policy	Comments	Assessment
<p>Revenue recognition</p>	<p>Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:</p> <ul style="list-style-type: none"> • Revenue from the sale of goods is recognised when the Authority 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 Authority. • Revenue from the provision of services is recognised when the Authority 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 Authority. • 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 is written down and a charge made for the income that might not be collected. 	<p>We have reviewed the Council's 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 as set out in the CIPFA/ LASAAC Code of Practice. 	<p style="text-align: center;">  Green </p>

Assessment

- Red – Marginal accounting policy which could potentially attract attention from regulators
- Green – Accounting policy appropriate and disclosures sufficient

- Amber – Accounting policy appropriate but scope for improved disclosure

Accounting policies, estimates & judgements (continued)

Accounting area	Summary of policy	Comments	Assessment
Judgements and estimates	Key estimates and judgements include: <ul style="list-style-type: none"> • useful life of property, plant and equipment; • pension fund valuations and settlements; • revaluations and impairments; • provisions; and • accruals. 	We have reviewed the accounting areas where the Council has exercised judgement and used estimates. We found that: <ul style="list-style-type: none"> • Appropriate policies had been used; • Accounting policies had been adequately disclosed; and • Areas where judgement had been used were supported by the work of an expert or a third party. 	 Green
Other accounting policies	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.	 Green

Assessment

● Red – Marginal accounting policy which could potentially attract attention from regulators

● Green – Accounting policy appropriate and disclosures sufficient

● Amber – Accounting policy appropriate but scope for improved disclosure

Adjusted misstatements

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

Impact of adjusted misstatements

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

Detail	Comprehensive Income and Expenditure £'000	Net Assets £'000	Impact on Total Reserves £000
1 Expenditure and income reported on the face of the Comprehensive Income and Expenditure Statement did not include £27,000 of activity that occurred under Planning Services. As the income excluded from the draft accounts was equal to the expenditure excluded, the net effect is NIL to the net income of the Council for the year.	NIL	NIL	NIL
Overall impact	£NIL	£NIL	£NIL

Misclassifications & disclosure changes

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



Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	N/A	Note 43	Further disclosures were required to meet the revised IAS19 disclosures requirements.
2 Disclosure and presentation	N/A	Various	Whilst we acknowledge the work undertaken by the Council to prepare the Annual Governance Statement and financial statements for our review, there are a number of minor disclosure and presentational adjustments that were required to be made to the drafts presented for audit. For example, the grants note 38 did not include all the required grants included within the comprehensive income and expenditure statement.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1.	 Amber	For payroll, operating and welfare expenses, the reconciliation was performed by the same individual that processes the transaction. This limits the effectiveness of the control of the segregation of duties.	Ideally, the reconciliations should be performed by a someone not involved in the processing of the transactions. Otherwise the Council should consider compensating controls to mitigate the risk from ineffective segregation of duties.
2.	 Amber	We have identified opportunities to improve the control environment for information technology , as deficiencies around: <ul style="list-style-type: none"> • ICT security policies, lack of review and agreement; and • No review of system users or security logs. 	We recommend that management: <ul style="list-style-type: none"> • review their ICT security policies and ensure they meet the requirements of PSN connection; • implement a process to ensure that all staff (including temporary, Agency Staff, Contractors etc) are provided with up to date policies; • ensure that all users acknowledge that they have read, understood and agree to abide by the policies; • should consider implementing a process to review user access rights on a periodic basis to ensure that only authorised users have access to the Council systems and the levels of access granted is appropriate for their roles and responsibilities; and • Management should identify critical security logs within all systems and monitor user activity to ensure data integrity.

Assessment

- Red – Significant deficiency – risk of significant misstatement
- Amber – Deficiency – risk of inconsequential misstatement

Other communication requirements

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

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

Section 3: Value for Money

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Value for Money

Value for money conclusion

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

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

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

These criteria are:

The Council has proper arrangements in place for securing financial resilience - the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

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

Key findings

Securing financial resilience

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

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

Over the last few years the Council has been able to deliver unplanned in year revenue savings enabling it to avoid further depletion of its limited general fund balances.

The Council underspent against its budget for 2013/14 by £0.102 million allowing it to maintain general fund reserves at just under £1.0 million well in excess of the target general fund reserves of £0.5 million. The Council has set a budget for 2014/15 which will use £0.321 million from reserves and will need to deliver savings of £0.121 million which are built into the budget.

Beyond 2014/15 the position becomes far more challenging and the Council continues to face challenges to ensure services remain financially sustainable. A further £1.5 million of savings will need to be identified in the period 2015/16 – 2019/20 to allow the Council to reduce budget gaps and set balanced budgets.

The liquidity ratio (the ratio of current assets to current liabilities) of the Council, although very low has improved slightly over the last 12 months. Of the Council's current assets at 31 March 2014, £3.8 million are assets held for sale which are not readily convertible into cash. The absence of liquid assets resulted in the Council's £3.5 million loan, due for repayment in August 2014, being refinanced for another 6 months. Although progress is being made in realising the disposals of these assets, further efforts will be required to strengthen the Council's balance sheet.

Challenging economy, efficiency and effectiveness

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

- Prioritising resources
- Improving efficiency & productivity

Our work highlighted that the overall arrangements are sound at the Council. The shared management structure with Taunton Deane Borough Council that is currently being implemented is key in helping the Council prioritise its resources and ensuring efficiencies are realised.

Overall VFM conclusion

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

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

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	Inadequate arrangements

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

Theme	Summary findings	RAG rating
Key indicators of performance	<ul style="list-style-type: none"> The Council has underspent against its general revenue budgets for the past three years. The general reserves for the Council has been maintained this year and is well above the minimum levels set by Members to protect against key financial risks. The key ratios of the Council are within accepted levels or have improved from the previous year except for the liquidity ratio. The Council's liquidity ratio remains below 1.0, which is below its peers, and remains an area of concern. The Council's staff sickness level for 2013/14 of 7.22 has increased by 1.68 days from last year year and is currently above the Council's target of 5.75 days but below the national average. 	Amber
Strategic financial planning	<ul style="list-style-type: none"> The Council's medium term financial plan (MTFP) is a 6 year financial planning horizon up to 2019/20. The Council goes through a detailed process in developing its financial plans. Budget proposals are consulted on and considered at various draft stages and by various committees before going to Full Council for approval. For 2014/15, savings of £0.121 million were identified and built into the base budget although £0.321 million of general fund reserves was required to balance the budget. The Council will need to continue to find substantial savings as the updated MTFP shows a cumulative budget gap from 2015/16 onwards totalling £1.505 million by the end of 2019/20. The Council has a strong track record of containing its expenditure within budget. Nevertheless the local government sector faces unprecedented financial challenges over the next 3 years. Members will have to continue to show strong leadership in decision making to ensure the Council remains financially resilient. 	Amber
Financial governance	<ul style="list-style-type: none"> The Council has a good process for financial governance that covers the whole planning cycle, includes consultation on proposals and performance reporting, and is underpinned with effective challenge and assurance processes. Following the introduction of the shared management structure, work is underway to provide Members with more support to enable them to make more informed financial decisions and gain a greater understanding of the budget setting process. The Council has adequate monitoring arrangements in place at both a Member and officer level. 	Green

Theme	Summary findings	RAG rating
Financial control	<ul style="list-style-type: none"> The Council has a strong recent track record on budgetary and financial control, demonstrated by good financial outcomes, which is indicative of a robust financial control framework. The arrangements to monitor delivery of the budget are robust and there are currently sufficient reserves to cover any slippage in savings programmes. The Council set a minimal capital programme for the year of just over £1 million. The final outturn showed minimal slippage with an overall overspend of £0.075 million from the final approved budget. The Council's Internal Audit reviews key areas and has confirmed controls are satisfactory and the majority of review were found to be adequately controlled. The Council continues to maintain and review risk registers. Due to the joint management team formed in the year with Taunton Deane Borough Council, a fundamental review and refresh of the Corporate Risk Register was undertaken in the year which includes a new joint risk register for the two Councils. 	Green
Prioritising resources	<ul style="list-style-type: none"> The Council prioritises its resources based on objectives in the Corporate Plan. The Council has demonstrated a willingness to take on innovative and financially effective solutions to service delivery demonstrating a clear strategy and rationale for the use of its financial and other resources. 	Green
Improving efficiency & productivity	<ul style="list-style-type: none"> The Council continues to consider a wide range of options to improve efficiency. This is demonstrated by the sharing of a management team with Taunton Deane Borough Council which is currently being implemented. Both Councils are relying on this sharing and transformation of services to deliver significant savings and enhanced service resilience. The project is on target and costs savings to date are in line with the plan. As the shared structure with Taunton is still underway and not complete, there is still a risk that the business plan will not be fulfilled and the Council will not realise all the benefits that it expected. The Council is heavily reliant on this initiative to contribute to its overall cost cutting programme. The Council can demonstrate through its performance and budget management arrangements that it continues to make improvements in efficiency and productivity. Through its Corporate Plan it can demonstrate that it continues to look for new ways to achieve efficiencies and provide services. We recognize that further difficult decisions will need to be made to generate further savings to bring the Council back to a sustainable financial position. 	Amber

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

Residual risk identified	Summary findings	RAG rating
Key indicators of performance <i>Liquidity</i>	<p>The Councils liquidity ratio was 1.62:1 in 2011/12, 0.82:1 in 2012/13 and 0.97:1 in 2013/14. The Council continues to be the lowest in the neighbour group. The Council does not have sufficient current assets to pay off the current liabilities which includes a significant loan which was repayable in August 2014 but has been refinanced for another six months now repayable in February 2015. The current assets also include £3.8 million of assets held for sale which are not easily transferred into cash.</p>	Amber
Key indicators of performance <i>Reserve balances</i>	<p>The Council 's usable reserves as a percentage of gross revenue expenditure remain below average when compared with neighbouring councils. Although the Council has a good level of general fund reserves, it has budgeted to use £0.321 million of the general reserves in 2014/15 and there are still significant budget gaps for which the Council has yet to find savings plans for, there is a risk that this position will deteriorate into the medium term.</p>	Amber
Strategic financial planning <i>Focus of the MTFP</i>	<p>The Council's MTFP outlines how the budget will be delivered over the medium to long term and carefully links to the Council's objectives and considers the changes to funding from central government. The updated MTFP and latest budget gap estimates have been reported to Corporate Scrutiny in July 2014.</p> <p>The MTFP shows budget gaps from 2015/16 onwards totalling £1.505 million by the end of 2019/20. If no savings plans are delivered and the Council was to use reserve balances to fund the budget gaps, the general fund reserve would drop to below the minimum in balance in 2016/17 and would move into a negative position in 2017/18. The Council needs to identify further savings plans to ensure this gap is closed in future years.</p>	Amber
Improving efficiency & productivity <i>Delivery of savings and service re-design</i>	<p>The Council agreed to share management and services with Taunton Deane Borough Council beginning October 2013. Both Councils are relying on the sharing and transformation of services to deliver significant savings and enhanced service resilience.</p> <p>The project is on target and costs savings to date are in line with the plan. As the shared structure with Taunton Deane is still underway and not complete, there is still a risk that the business plan will not be fulfilled and the Council will not realise all the benefits that it expected.</p>	Amber

Section 4: Fees, non audit services and independence

01. Executive summary
02. Audit findings
03. Value for Money
- 04. Fees, non audit services and independence**
05. Communication of audit matters

Fees, non audit services and independence

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

Fees

	Per Audit plan £	Actual fees £
Council audit	55,800	*56,700
Grant certification	10,600	**tbc
Total audit fees	66,400	tbc

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

**The indicative fee published by the Audit Commission for grant certification work for required in 2013/14 for the Council is £9,328. As the work has not yet been completed on the grant certifications, we therefore cannot confirm the final fee.

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

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

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

Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Communication of audit matters to those charged with governance

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

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

Respective responsibilities

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

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

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

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

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

Appendices

Appendix A: Action plan

Priority

Significant deficiency – risk of significant misstatement

Deficiency - risk of inconsequential misstatement

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	The reconciliations should be performed by a someone not involved in the processing of the transactions. Otherwise the Council should consider compensating controls to mitigate the risk from ineffective segregation of duties.	Medium	The JMASS project will bring the finance team into a single team which will provide sufficient capacity to provide segregation of duties.	January 2015 Finance Manager
2	We recommend that management: <ul style="list-style-type: none"> review their ICT security policies and ensure they meet the requirements of PSN connection; implement a process to ensure that all staff (including temporary, Agency Staff, Contractors etc) are provided with up to date policies; ensure that all users acknowledge that they have read, understood and agree to abide by the policies; should consider implementing a process to review user access rights on a periodic basis to ensure that only authorised users have access to the Council systems and the levels of access granted is appropriate for their roles and responsibilities; and Management should identify critical security logs within all systems and monitor user activity to ensure data integrity. 	Medium	We take on board your recommendations and will address this with Senior Management for consideration to ensure that we continue to meet PSN requirements. Reviews takes place ad-hoc, a more periodic review will be implemented and procedures documented.	January 2015 ICT and Information 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 WEST SOMERSET DISTRICT COUNCIL

Opinion on the Authority financial statements

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

This report is made solely to the members of West Somerset District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director – Operations and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

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

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

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

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

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

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

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, West Somerset District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

We certify that we have completed the audit of the financial statements of West Somerset District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

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

Hartwell House
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Bristol
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XX September 2014



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Report Number: WSC 130/14
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Author of the Report: Peter Barber, Associate Director, Grant Thornton
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Report to a Meeting of: Audit Committee
To be Held on: 22nd September 2014
Date Entered on Executive Forward Plan N/A
Or Agreement for Urgency Granted:

EXTERNAL AUDIT 2013/14 CERTIFICATION PLAN

1. PURPOSE OF REPORT

- 1.1 To set out the process that the Council's appointed external auditor, Grant Thornton, will follow in respect of the grant certification work that needs to be undertaken at West Somerset Council.

2. CONTRIBUTION TO CORPORATE PRIORITIES

- 2.1 None in respect of this report.

3. RECOMMENDATIONS

- 3.1 To note the report from Grant Thornton.

4. RISK ASSESSMENT (IF APPLICABLE)

Risk Matrix

Description	Likelihood	Impact	Overall
.	N/A	N/A	N/A

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.

5. BACKGROUND INFORMATION

- 5.1 Grant Thornton undertake grant certification work acting as an agent of the Audit Commission.
- 5.2 The only claim which requires certification at West Somerset Council for 2013/14 is the Housing Benefit Subsidy claim.

- 5.3 The Department for Work and Pensions (DWP) requires external certification of the Housing Benefit Subsidy claim each year. The Audit Commission agrees certification arrangements with the DWP and issues a certification instruction.
- 5.4 The arrangements include the deadline for submission of each claim by authorities (30/04/2014) and the deadline for certification by auditors (30/11/2014).

6. FINANCIAL/RESOURCE IMPLICATIONS

- 6.1 The Audit Commission sets an indicative fee for grant claim certification based on the 2011/12 actual certification fees for each council.
- 6.2 The indicative fee for West Somerset Council is £9,328.

7. COMMENTS ON BEHALF OF SECTION 151 OFFICER

- 7.1 The Council plays an important role in this certification work and needs to ensure that it submits the claim for certification to the Appointed Auditor within the DWP submission deadlines.
- 7.2 It also needs to ensure that accounting records are sufficient to document the transactions for which claims are made and that records are maintained in accordance with proper accounting practices and kept up to date.

8. EQUALITY & DIVERSITY IMPLICATIONS

Members need to demonstrate that they have consciously thought about the three aims of the Public Sector Equality Duty as part of the decision making process.

The three aims the authority **must** have due regard for:

- Eliminate discrimination, harassment, victimisation
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it

- 8.1 None in respect of this report.

9. CRIME AND DISORDER IMPLICATIONS

- 9.1 None in respect of this report.

10. CONSULTATION IMPLICATIONS

- 10.1 None in respect of this report.

11. ASSET MANAGEMENT IMPLICATIONS

- 11.1 None in respect of this report

12. ENVIRONMENTAL IMPACT IMPLICATIONS

- 12.1 None in respect of this report.

13. LEGAL IMPLICATIONS

- 13.1 None in respect of this report.



Housing Benefit Subsidy certification work plan for West Somerset District Council

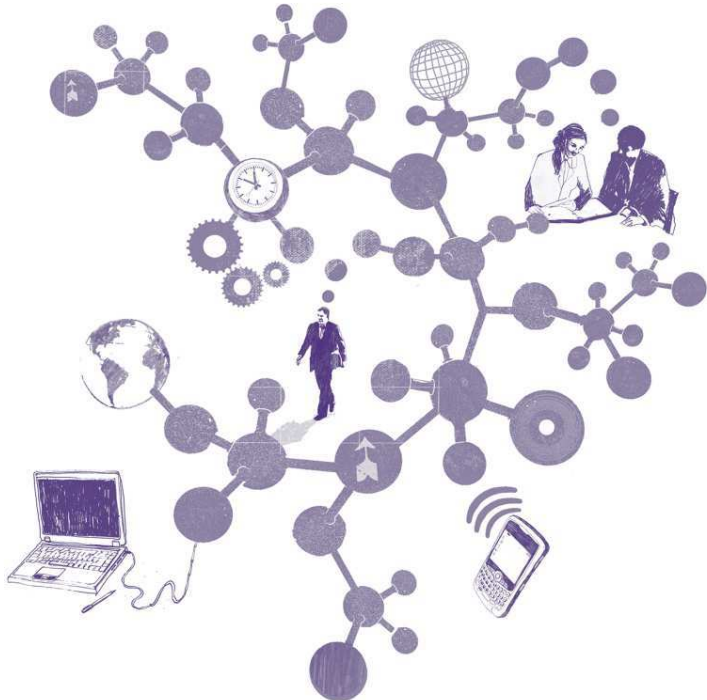
Year ended 31 March 2014

7 September 2014

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Our approach to Housing Benefit Subsidy certification work

Introduction

As the Council's appointed external auditor, we undertake grant certification work acting as an agent of the Audit Commission. The only claim which requires certification at West Somerset District Council for 2013/14 is the Housing Benefit Subsidy claim.

The Department for Work and Pensions (DWP) requires external certification of the Housing Benefit Subsidy claim each year. The Audit Commission agrees certification arrangements with the DWP and issues a certification instruction. The arrangements include the deadline for submission of each claim by authorities (30/4/2014) and the deadline for certification by auditors (30/11/2014).

Role of all parties

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

Party	Role & responsibility
DWP	Sets conditions of subsidy and deadline for submission for pre-certified and certified claims
Audit Commission	Issues certification instruction ('BEN01') for auditor work
Council	Submits claim for certification to the Appointed Auditor within DWP submission deadlines
Appointed Auditor	Certifies claim in accordance with Audit Commission certification instruction and within certification deadline

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

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

Claims history

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

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

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

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

Our certificate

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

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

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

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

Certification work fees

The Audit Commission sets an indicative fee for grant claim certification based on the 2011/12 actual certification fees for each council. The indicative fee for the Council is £9,328. The fee is based on the following assumptions:

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

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

Administration

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

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

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

Managing the certification process – our role

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



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Report Number: WSC 131/14
Presented by: PAUL HARDING, CORPORATE STRATEGY AND PERFORMANCE MANAGER
Author of the Report: AS ABOVE.
Contact Details:
 Tel. No. Direct Line 01823 356309
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Report to a Meeting of: Audit Committee
To be Held on: 22 SEPT 2014
Date Entered on Executive Forward Plan n/a
Or Agreement for Urgency Granted:

ANNUAL GOVERNANCE STATEMENT - ACTIONS UPDATE

1. PURPOSE OF REPORT

- 1.1 This report is to provide Members with an update on progress against the actions identified within the Annual Governance Statement 2013/14.

2. CONTRIBUTION TO CORPORATE PRIORITIES

- 2.1 Effective governance underpins every element of the Council's business and is key to delivering efficient, transparent services which deliver value for money and meet our corporate objectives.

3. RECOMMENDATIONS

- 3.1 That the committee:
- Review the report and note its contents;
 - Make any recommendations or comments it sees fit.

4. RISK ASSESSMENT (IF APPLICABLE)

Risk Matrix

Description	Likelihood	Impact	Overall
The key risk is that the Council fails to comply with key internal controls and corporate governance arrangements.	Feasible (3)	Major (4)	Medium (12)
<i>The mitigation for this will be the regular monitoring of progress against mitigating significant governance weaknesses as identified by external and internal assessments by both members and Joint Management Team.</i>	Unlikely (2)	Significant (3)	Low (6)

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.

5. **BACKGROUND INFORMATION**

- 5.1 Each year, the Council receives a number of reports and assessments which result in recommendations for improvement. There have been consolidated and put within a Corporate Governance Action Plan.
- 5.2 The Corporate Governance Action Plan currently includes **12** actions, which have emerged from external audit; specifically, recommendations from the Annual Governance Report and from South West Audit Partnership (SWAP) audits. The SWAP audits contain recommendations rated from 1 – 5 (5 being the most urgent / high risk and 1 the least urgent/lowest risk). SWAP level 4 and 5 level recommendations are included within the action plan.
- 5.3 A summary of the current status of these actions is provided below:

Complete	Underway	Not Started	Total
2	4	6	12

- 5.4 The full action plan is provided at Appendix A.

6. **FINANCIAL/RESOURCE IMPLICATIONS**

- 6.1 Time will have to be found from within existing resources to address the actions set out within the action plan.

7. **COMMENTS ON BEHALF OF SECTION 151 OFFICER**

- 7.1 Progress against the action plan will be reported within the Annual Governance Statement as part of the Statement of Accounts 2014/15.

8. **EQUALITY & DIVERSITY IMPLICATIONS**

Members need to demonstrate that they have consciously thought about the three aims of the Public Sector Equality Duty as part of the decision making process.

The three aims the authority **must** have due regard for:

- Eliminate discrimination, harassment, victimisation
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

- 8.1 Equalities impact has been considered in relation to this report. It has been concluded that since this is an update report only and there are no obvious equalities issues raised an Equalities Impact Assessment is not required.

9. CRIME AND DISORDER IMPLICATIONS

None directly within this report.

10. CONSULTATION IMPLICATIONS

None directly within this report.

11. ASSET MANAGEMENT IMPLICATIONS

- 11.1 None directly within this report.

12. ENVIRONMENTAL IMPACT IMPLICATIONS

- 12.1 None directly within this report.

13. HEALTH & WELLBEING

Demonstrate that the authority has given due regard for:

- People, families and communities take responsibility for their own health and wellbeing;
- Families and communities are thriving and resilient; and
- Somerset people are able to live independently.

14. LEGAL IMPLICATIONS

- 14.1 None directly with this report although strong governance arrangements lessens the likelihood of legal challenge against the Council.

Priority 4 & 5s Audit Report	Finding	Recommendation	Update – Sept 2014	Owner	Status
Social Media	3.1a There is no social media policy at the authority. It currently in draft stage.	I recommend the Corporate Information Officer ensures that the Social Media Policy is completed, approved and implemented as a working policy to include sections recommended within this report	A combined WSC/TDBC social media policy has been drafted and was presented to Corporate PAG in August 2014. The Policy is scheduled go before Full Council in September 2014.	Bruce Lang	Work Underway
	4.4a Reputational damage through social media channels is not included in the Corporate risk register	I recommend the Monitoring Officer complete a risk review for the use of social media and include the results in the Corporate Risk Register.	Action complete	Bruce Lang	Complete
Fighting Fraud Locally	1.1a There has been no assessment of current fraud and corruption risks, the risks in Protecting the Public Purse, or horizon scanning of future potential risks.	I recommend the Section 151 Officer undertakes a full assessment of existing and potential fraud and corruption risks, making reference to Protecting the Public Purse. An action plan should be produced and progress should be regularly reported.	AD for finance will draft a Corporate Fraud Policy for WSC. The intention is for the draft report to be go before Corporate PAG in October 2014 and then onto the Audit Committee.	Paul Fitzgerald	Not Started
Public Safety in Open Spaces	1.1a Site specific risk assessments have not been completed.	I recommend that the Assistant Director – Operational Delivery identifies and prioritises the sites that require a separate operational risk assessment. Risk assessments to be completed and reviewed on a rolling programme.	The <i>Open Spaces</i> team were in place from 1st Aug 2014. Discussions to take place with Health & Safety officer to determine the best way forward for prioritising formal risk assessments given the significant number of public open spaces. Open Spaces staff are however regularly present in each park emptying bins for example and carrying out fortnightly play equipment inspections and will seek to identify and deal with risks and hazards as part of this process.	Chris Hall	Not Started
	1.6a There is no condition survey for trees in public spaces that WSC holds responsibility for.	I recommend that Assistant Director – Operational Delivery reviews the Zurich recommendations and HSE guidance (Appendix 2) to ensure WSC is aware of the extent of risk it is currently carrying with regard to Tree Maintenance and identify any feasible mitigation.	The new post of Arboriculture Manager (in post from 1st Aug 2014) is undertaking the required surveys as part of their duties.	Chris Hall	Work Underway

Priority 4 & 5s Audit Report	Finding	Recommendation	Update – Sept 2014	Owner	Status
Private Use of Council Vehicles	1. No policy or guidance in place for the use of Council vehicles.	I recommend that the Section 151 Officer and the HR Consultant ensure that there is a policy and/or guidance on the use of Council vehicles which covers as a minimum <ul style="list-style-type: none"> · use for council business · personal use · commuting to and from work · carrying of passengers both employees and non-employees · where the vehicle should be kept and ensure the policy and/or guidance is disseminated to all staff who have access to a Council vehicle. 	Action complete WSC <i>Drivers Handbook</i> now in place. Similar document in place re TDBC vehicles and also TDBC Pool Car Scheme in place.	Richard Sealy	Complete
Risk Management in Project Management	2.1a Risk Registers	I recommend that the Corporate Director requires all projects to be risk assessed, using a corporate risk register template, to ensure that all risks are identified, prioritised, allocated to a responsible officer and monitored.	WSC – Project Management toolkit developed and includes a risk register template. The toolkit includes both a template Risk Register as well as an Issues Log. There is also a Project Risk Prompt List to help with initial thoughts when populating the register. Combined TDBC/WSC Risk Management Strategy being drafted and will be presented to Audit Committees at both councils for approval – likely in December 2014.	Richard Sealy	Work Underway

Annual Governance Statement Actions 2012/13	Update – Sept 2014	Owner	Status
1. Improve the communication of the authority's purpose and vision and its intended outcomes to citizens and service users.	Not Started. Will link in with action 2. Below and could include the producing an annual report (see 3. Below) and reviewing web content. Annual report isn't essential but is desirable. This will be considered for June 2015.	Richard Sealy	Not Started
2. Draft a community engagement and communications plan for the council.	Not started. Will need input from all AD's.	Bruce Lang / Richard Sealy	Not Started
3. Undertake comparisons with other councils to evidence value for money is being achieved and to identify areas for improvement.	This hasn't started. Work is planned to take place, primarily using LG Inform. Local Government Inform (LG Inform) is the LGA's benchmarking data service for councils and fire and rescue authorities. Likely to commence in Q4.	Richard Sealy	Not Started

Annual Governance Statement Actions 2012/13	Update – Sept 2014	Owner	Status
<p>4. Prepare an annual summary of progress of the key actions to deliver the 2013-16 Corporate Plan, also achievements and challenges throughout the year.</p>	<p>Links with actions 1 and 2 above. An annual business plan is created each year. This will continue. An end of year report is recommended. This will be considered for June 2015. Not a high priority however.</p>	<p>Richard Sealy</p>	<p>Not Started</p>
<p>5. Joint management and shared services - Undertake member development as part of the overall programme.</p>	<p>This has commenced and Member champions at both Councils identified. This will be developed further over the coming months.</p>	<p>Richard Sealy</p>	<p>Work Underway</p>

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Report Number: WSC 132/14
Presented by: Steve Plenty, Finance Manager
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Report to a Meeting of: Audit Committee
To be Held on: 22 September 2014
Date Entered on Executive Forward Plan n/a
Or Agreement for Urgency Granted:

SOUTH WEST AUDIT PARTNERSHIP LTD (SWAP LTD) - PENSION GUARANTEE

1. PURPOSE OF REPORT

- 1.1 To inform Audit Committee of the potential financial liability in relation to the possible employers pension liability in the future as a result of being a member of the South West Audit Partnership Ltd. (SWAP Ltd).

2. RECOMMENDATIONS

- 2.1 That Audit Committee notes the guarantee required on pension costs in the very unlikely circumstances they would occur as referred to in paragraph 4.4 of this report.
- 2.2 The Audit Committee recommends that Full Council provide a guarantee in relation to a possible financial liability in respect of possible employers' pension liabilities in the future.

3. RISK ASSESSMENT (IF APPLICABLE)

Risk Matrix

Description	Likelihood	Impact	Overall

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.

4. BACKGROUND INFORMATION

- 4.1 In a report to Council on the 27th February 2013 it was agreed that West Somerset Council became a member of the South West Audit Partnership Ltd (SWAP Ltd)

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and to dissolve the then current South West Audit Partnership Joint Committee (SWAP).

4.2 The following recommendations were agreed at this meeting:

- Approved the formation of a company, limited by guarantee, to replace the existing SWAP Joint Committee
- Elected to be a Member of the SWAP Ltd from 1st April 2013, on the terms and basis set out in the articles of association, deed and service agreement.
- Agreed to the dissolving of the SWAP Joint Committee at a date to be determined, but not later than 30th June 2013.
- Noted the separation of responsibilities and the membership profiles of the Members' Board and the Board of Directors.
- Noted that the fees for the provision of internal audit services by SWAP Ltd, for the financial year 2013/14, will not increase on the fees paid to SWAP by the council in 2012/13

4.3 Unfortunately the following recommendation was omitted from the original report and this was as follows:

- To provide a guarantee in relation to a possible financial liability in respect of possible employers' pension liabilities in the future.

4.4 There is a theoretical risk that the company could dissolve or otherwise fail and that partners will be left with a pensions deficit to fund. The actuaries report calculated at the time that this stood at £2.961m, of which West Somerset's potential risk would be 2.31% or £68,399, for which the Authority would have to offer a formal guarantee. However, this would only occur if i) the company failed, ii) nothing directly replaced it, and iii) partners didn't take some of the staff back into their organisations at this point. Officers therefore believe this represents a low risk to West Somerset Council.

5. FINANCIAL/RESOURCE IMPLICATIONS

5.1. West Somerset's potential risk equates to £68,399 based on the current deficit as calculated by the actuary detailed above.

6. SECTION 151 OFFICER COMMENTS

- 6.1 The above risk needs to be noted however it is the opinion that this represents a low risk to West Somerset Council of being a member of the South West Audit Partnership Ltd (SWAP Ltd).

7. EQUALITY & DIVERSITY IMPLICATIONS

Members need to demonstrate that they have consciously thought about the three aims of the Public Sector Equality Duty as part of the decision making process.

The three aims the authority **must** have due regard for:

- Eliminate discrimination, harassment, victimisation
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it

8. CRIME AND DISORDER IMPLICATIONS

- 8.1. There are no crime and disorder implications

9. CONSULTATION IMPLICATIONS

- 9.1. There are no consultation implications

10. ASSET MANAGEMENT IMPLICATIONS

- 10.1. There are no asset management implications

11. ENVIRONMENTAL IMPACT IMPLICATIONS

- 11.1. There are no environment impact implications

12. LEGAL IMPLICATIONS

- 12.1. Legal advice has been obtained

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Report Number: WSC 136/14
Presented by: Paul Fitzgerald, Assistant Director Resources
Author of the Report: Paul Fitzgerald, Assistant Director Resources
Contact Details:
 Tel. No. Direct Line 01823 356680
 Email: p.fitzgerald@tauntondeane.gov.uk

Report to a Meeting of: Audit Committee
To be Held on: 22 September 2014
Date Entered on Executive Forward Plan n/a
Or Agreement for Urgency Granted:

CORPORATE ANTI-FRAUD

1. PURPOSE OF REPORT

- 1.1. This report advises Members on our progress in developing our approach to Corporate Fraud. It gives information of joint working with other Local Authorities and the South West Audit Partnership (SWAP).
- 1.2. The report also informs Members of potential funding opportunities provided through the Department for Communities and Local Government (DCLG) through a bidding process announced in July 2014.
- 1.3. The Audit Committee is invited to note the information contained within this report and support action undertaken in further developing our approach to combat Corporate Fraud.

2. CONTRIBUTION TO CORPORATE PRIORITIES

- 2.1. This report links to the Corporate Priority of Local Democracy: Maximise the funding opportunities from Central Government.

3. RECOMMENDATIONS

- 3.1. The Audit Committee notes the information provided in this report and supports a proposal to obtain approval from the Cabinet and Council as necessary for match funding from West Somerset Council of up to £10,000 to develop a cost-effective Corporate Anti-Fraud function.

4. RISK ASSESSMENT (IF APPLICABLE)

Risk Matrix

Description	Likelihood	Impact	Overall
Financial and reputational risk in not introducing and effective Anti-Fraud function	3	4	12
<i>Design and implement an effective Corporate Anti-Fraud function</i>	2	4	8

Risk Matrix continued

Description	Likelihood	Impact	Overall
Bid for funding to DCLG is unsuccessful	4	4	16
<i>Identify alternative funding by re-focussing existing resources and budgets or through additional budget approval</i>	3	4	12
Insufficient capacity, finance or expertise to adequately deliver an effective Anti-Fraud function	5	4	20
<i>Work in partnership with other Councils and SWAP</i>	2	4	8

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.

5. BACKGROUND INFORMATION

- 5.1. The Government announced in the Autumn Statement in December 2013 that DCLG and DWP would invest in local government's capacity to tackle non-welfare fraud. The government stated it would introduce a package of support to deliver savings from cutting fraud that would include extra funding over 2014-2015 and 2015-2016.
- 5.2. On 2 July 2014, the DCLG invited Local Authorities to submit proposals for funding from a national pot of £16million, to deliver financial savings through counter fraud activities. The DCLG specified that proposals, submitted in a bidding process, should seek to achieve efficiencies and transformation through partnership working between Local Authorities and/or with other public and private sector partners. See Appendix 1.
- 5.3. On 30 July 2014 the Assistant Director of Resources provided a verbal update to the Corporate Policy Advisory Group. It was agreed that a Corporate Anti-Fraud Policy will be prepared to set out the high level priorities we need to meet to achieve the Council's vision of zero tolerance for fraud, corruption and bribery throughout the authority. This policy will be presented to the Audit Committee on 2 December 2014.
- 5.4. At meeting on 30 July 2014, Members recognised we need to combat Corporate Fraud and supported, in principle, investment to save with the intention for a Corporate Anti-Fraud Team to lead and advise on any investigations into fraudulent activity within Taunton Deane Borough Council. This team would be considered alongside the emerging joint structure for West Somerset Council and Taunton Deane Borough Council with work undertaken to consider potential alternative delivery models.

6. PROGRESS TO DATE

- 6.1. Developing a counter-fraud function has been affected by a number of factors such as Government announcements, the JMASS project and developments in the creation of the DWP's Single Fraud Investigation Service (SFIS).
- 6.2. We intend any new Corporate Counter-Fraud function would be responsible for detecting and preventing fraudulent activity in the following areas:
 - Local Taxation including Council Tax Discounts and Support, and
 - Non-Domestic Rates Relief and Discounts,
 - Grant applications.
 - Procurement
 - Income
- 6.3. South West Audit Partnership Ltd (SWAP) currently provides internal audit services to a number of authorities in the Southwest. SWAP has been approached by a number of District Councils to ascertain if it could develop a joint cross-partner initiative on counter-fraud.

SWAP have developed an outline concept and is continuing to discuss proposals with its clients.

6.4. Initial options could include:

- A counter fraud shared service led by one of the authorities
- SWAP manage and operate a full counter fraud function for partner authorities
- A hybrid of the two - with SWAP delivering certain activities.

6.5. Advantages to a joint approach include

- Economies of scale and reduced costs
- Better targeting of resources
- Better use of technology and cross-partner data analysis
- Sharing of knowledge and good practice

6.6. In addition, initial advantages for delivering through SWAP could include

- Access to wider range of relevant and eligible data sets
- Access to existing analytical software and expertise
- Access to investigation expertise.
- Quicker corrective / recovery action at lower cost.

6.7. Any partnership could deliver the following:

- Development of shared counter fraud strategy
- Identification and understanding of fraud risks and potential exposure to losses.
- Assessment and mitigation of resilience to fraud
- Investigation and enforcement
- Proactive anti-fraud work, such as data-matching and sample verification procedures.
- Financial savings
- Fraud Awareness training for elected members, Council employees and partners

6.8. West Somerset Council, Taunton Deane Borough Council and South Somerset District Council have worked together in progressing a bid for potential funding available through the DCLG Counter Fraud Fund prospectus. Taunton Deane Borough Council are acting as the lead authority for the bid submission made on 5 September 2014, see Appendix 2.

6.9. Further work is needed to develop the business case, and select the preferred delivery model either through SWAP, a Local Authority Partnership or a combination of a SWAP/Local Authority Partnership arrangement. In addition, discussions are ongoing with other local authorities to confirm their commitment, or otherwise, in joining a partnership from the outset.

6.10. The ambition is to deliver a Corporate Counter-Fraud function that is effectively self-financing due to the additional income gathered as a result of the function's anti-fraud activities and measures.

7. SINGLE FRAUD INVESTIGATION SERVICE (SFIS)

- 7.1. In December 2013 the Chancellor of the Exchequer in the Autumn Statement, announced the formation of a single service (SFIS) covering the totality of welfare benefit fraud. The DWP have made it clear investigation of Housing Benefit and residual Council Tax Benefit fraud will transfer to SFIS. Employees assigned solely or primarily to this activity (i.e. more than 50% of their time) will be identified for a potential transfer to DWP.
- 7.2. SFIS will not be responsible for investigating non-benefit and local taxation fraud such as Council Tax Single Persons Discount. Local Council Tax Support will not be included in SFIS and the responsibility for protecting this fund will remain with the respective Council.
- 7.3. On 2 May 2014 we received an e-mail from the DWP confirming the implementation date for SFIS in our area will be 1 June 2015. We have been assigned a named DWP SFIS Implementation Manager to support us through the process. Formal implementation and engagement with the DWP on the transfer of any employees to SFIS will start from December 2014 with any staff transferring to SFIS in June 2015.

8. NEXT STEPS

- 8.1. We now need time and capacity to progress the completion of the business case and select a preferred delivery model by March 2015. Governance arrangements for the partnership and any delivery through SWAP will also need to be developed.
- 8.2. While our bid to the DCLG sought funding of £30k in 2014/15 and £80k in 2015/16 to progress our plans to tackle fraud we have suggested that match funding of £40k could be made available between the partner authorities in 2015/16. Members are requested to support a proposal to obtain approval from the Cabinet / Council for match funding in 2015/16 from West Somerset Council. Subject to confirmation of cost sharing between partner authorities, the likely request will be in the range of £5k to £10k.
- 8.3. The DCLG should notify us of the outcome of our bid by 31 October 2014. Should the outcome be unsuccessful, we will need to develop arrangements whereby alternative funding is identified by re-focussing existing resources and budgets, or through additional budget approval. Whilst major preceptors (e.g. Somerset County Council) are likely to obtain some benefit from savings generated through this initiative (e.g. improved council tax collection), at this point there is no anticipated external contribution to costs other than the Government Grant if the bid is successful.

9. FINANCIAL/RESOURCE IMPLICATIONS

- 9.1. The government provides Administrative Subsidy to the Council for the Benefits service, some of which is intended to be used to offset the cost of anti-fraud measures. However, the current level of funding is likely to reduce as a consequence of employees transferring to SFIS in June 2015.
- 9.2. The cost of Council Tax collection and fraud investigation is borne by District Councils. The County Council receives a larger share of the Council Tax and would therefore receive the greatest part of the additional income that arises from identifying single person discount fraud. However, the County does not contribute financially to the cost of identifying any fraud.
- 9.3. Any income raised from Single Person Discount Fraud penalties would be kept by West Somerset Council. The cost of prosecutions under the Fraud Act is borne by West Somerset Council and as such, prosecutions should only be taken where it is financially viable to do so.

10. SECTION 151 OFFICER COMMENTS

- 10.1. West Somerset Council faces significant and increasing financial challenges for the foreseeable future. It is advisable any development of the Corporate Anti-Fraud function is affordable and does not add to budget pressures. From a financial perspective, acquiring additional funding from the DCLG will assist in this aim.

11. EQUALITY & DIVERSITY IMPLICATIONS

Members need to demonstrate that they have consciously thought about the three aims of the Public Sector Equality Duty as part of the decision making process.

The three aims the authority **must** have due regard for:

- Eliminate discrimination, harassment, victimisation
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it

- 11.1. An Equality Impact Assessment (EIA) will be prepared to support the Corporate Anti-Fraud Policy due to be presented to the Audit Committee on 2 December 2014.

12. CRIME AND DISORDER IMPLICATIONS

- 12.1. Regular liaison between the police and this authority is maintained through our Community Safety Officer. At this time, no attributable impacts upon local rates of crime and disorder have been identified.

13. CONSULTATION IMPLICATIONS

- 13.1. None associated with this report.

14. ASSET MANAGEMENT IMPLICATIONS

- 14.1. None associated with this report.

15. ENVIRONMENTAL IMPACT IMPLICATIONS

- 15.1. None associated with this report.

16. LEGAL IMPLICATIONS

- 16.1. The legislation concerning matters on Anti-Fraud are mainly contained in:

- The Fraud Act 2006
- Theft Act 1968
- Bribery Act 2010
- Local Government Finance Act 1992
- Regulation of Investigatory Powers Act 2000
- Social Security Administration Act 1992
- Police and Criminal Evidence (PACE) Act 1984 and the Criminal Procedure and Investigations Act 1996
- Prevention of Social Housing Fraud Act 2013
- The Detection of Fraud and Enforcement (England) Regulations 2013.



Department for
Communities and
Local Government

Counter fraud fund

Prospectus

July 2014 Department for Communities and Local
Government

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2014

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Section Two: Bidding information for the fund

Section Three: Process and timetable for assessing bids

Annex: Application Form

Introduction

It is estimated that there is over £2 billion of fraud against local government every year. This is money that could be spent on providing services to local communities. All local authorities should have a counter fraud strategy to reduce losses from fraud and should assess the effectiveness of those arrangements. This should include allocating sufficient and targeted resources to tackle fraud.

It is recognised that local authorities have complex and conflicting demands on limited resources. In addition, we acknowledge that the transfer of benefit fraud investigators from local authorities to the Single Fraud Investigation Service from 2014 may also create challenges to some authorities' investigative capacity as they adjust to the changes. However, the move to the Single Fraud Investigation Service also presents an opportunity to local authorities to focus on tackling non-benefit fraud.

Local authorities are invited to submit proposals for funding that will result in real financial savings through effective counter fraud activities. All proposals must demonstrate that the savings that will be achieved will be at least equivalent to, or exceed, the funding requested. We are keen to receive proposals that seek to achieve efficiencies and service transformation through partnership working between local authorities and/or with other public and private sector organisations. Proposals should also demonstrate an innovative and holistic approach to tackling fraud that includes detection, prevention and deterrence.

The total scheme is worth up to £16 million over the financial years 2014/15 and 2015/16 and will start paying money to successful local authorities during the third quarter of 2014/15. Government is particularly keen to fund innovative joint proposals and therefore principal local authorities may submit an individual bid and also as a named authority in a partnership bid. Authorities submitting bids under both routes must ensure that the proposals stand alone as they will be assessed independently. **All bids must be submitted by 5pm on 5 September 2014.**

Bids will be evaluated on the basis of the extent to which they meet the criteria set out in this prospectus. An assessment team will consider each bid against the criteria and will present its analysis to an assessment panel, which will comprise people with significant counter fraud expertise. Following input from the panel, ministers will take a final decision on the allocation of the fund.

Section One: Fund objectives and requirements

The purpose of the counter fraud fund is to support local authorities during the implementation of the Single Fraud Investigation Service and increase the capacity and capability of local government to tackle losses from non-benefit fraud. We are hoping to do this in a way that is sustainable beyond the funding period. Given this, we anticipate that the fund will result in more than just providing individual local authorities with investigative capacity over the two year funding period. Instead we hope to receive bids that demonstrate an innovative and holistic approach to tackling fraud, encompassing detection, prevention and deterrence activities.

For all local authorities or partnerships, whether a leading pioneer in counter fraud work or still building counter fraud capacity, we are looking to fund proposals that show that the money will be used on genuine additional activities to achieve financial savings through counter fraud activities.

Funding

The Department for Communities and Local Government is making available up to £16 million to English principal local authorities over two years: 2014/15 and 2015/16. Local authorities that successfully bid for funding will be offered a grant to deliver their proposal. Grants will be paid under section 31 of the Local Government Act and are, therefore not subject to ringfencing. We intend to make two payments to successful applicants, one in quarter 3 of 2014/15 and a further tranche in quarter 1 of 2015/16, the latter being subject to satisfactory progress in the early stages of the project.

Eligibility

Any principal local authority in England can lead a bid and each bid can be for funding for an individual principal local authority, a group of authorities, or a consortium that includes businesses/third parties. However, all partnership bids must have a lead bidding local authority and this must, for grant allocation purposes, be an English principal local authority. Bidders should note that a grant can only be paid for expenditure incurred, or to be incurred, by a local authority (see Section 31 Local Government Act 2003).

We are not limiting the amount that an authority or partnership can bid for but all proposals must demonstrate that the financial savings achieved will be equivalent to, or exceed, the funding requested and any matched funding identified by the bidder. Proposals must demonstrate how the funding will be used to achieve additional outcomes and/or service improvements.

Awards will be made only where government is satisfied that the proposal meets the criteria. If more bids meet the criteria than there is funding available, bids will be prioritised based on a scored assessment of each bid.

Section Two: Bidding information for the fund

This section presents the five criteria against which all bids will be assessed. All bids must satisfy the requirement to make the financial savings as described in criterion 1. Bids that do not meet this criterion will not be considered further. All proposals that satisfy criterion 1 will then be assessed against the remaining criteria. The scale of the estimated savings outlined by each proposal will be considered alongside the extent to which they meet the remaining four criteria.

1: Financial savings and benefits of the proposal

Bids will be assessed on the ambition of the proposal to achieve real savings and benefits through counter fraud activities. This effort can be focussed on a single type of fraud or spread across a number of areas.

We acknowledge that there are inherent difficulties in quantifying the scale and value of fraud losses that could be prevented or detected through counter fraud activities. In addition, we understand that there is no universally accepted measure of fraud. Notwithstanding this, all proposals must provide reasonable estimates of how the funds will result in financial savings that are at least equivalent to the funding requested. The bid proposal should demonstrate when it is estimated that these savings will be realised and should differentiate from those savings already being achieved through current counter fraud activities.

Where proposals seek to achieve wider benefits, for example by reducing the social costs that result from types of fraudulent activity, these should be documented and quantified as far as possible.

The assessment team will examine the value for money represented by the bid in terms of the costs and projected savings. Any matched funding should also be highlighted and where matched funding is provided by a local authority, the financial savings must be at least equivalent to the amount requested through this fund and the matched funding.

2: Partnership working

As with other public services, improvements and efficiencies can be made from greater joint working and, as such, we will prioritise those bids that demonstrate joint working between local authorities and/or with other public and private sector organisations. We are aware that, in 2012/13, 79 district councils did not report any detected non-benefit fraud¹ and we believe that real progress could be made by councils joining together to deliver effective local strategies and reduce losses from fraud. Proposals must state clearly the members of the partnership or, alternatively, outline the reasons if an authority is unable to form a partnership, or there is a case as to why partnership working would not be appropriate.

¹ *Protecting the Public Purse 2013*, Audit Commission

3: Sustainability

The assessment team will examine the sustainability of each of the bids to provide local authorities with increased capacity and capability to tackle fraud beyond the funding period. We define sustainability as the ability for project to have a continued impact beyond the funding period.

4: Feasibility

Linked to criteria 1-3, the assessment will look at the feasibility of each bid's proposals and scrutinise the estimated benefits or reduction in losses from fraud. We will assess feasibility as the ability for the project to deliver the stated outputs and impact in the stated time. Each bid will also require sign-off from the local Section 151 officer and any other partners.

5: Innovation

All bids should provide an assessment on the level of innovation in the proposal and how this approach could be transferred to other local authorities or partnerships. We consider innovation as the demonstration of new approaches to achieving a positive change to tackle fraud detection, prevention and deterrence.

Section Three: Process and timetable for assessing bids

Bidders are required to complete the bid form – attached as an annex. The information required in that form is needed to check that bids will fulfil the objectives of the fund and to help prioritise bids. **Bids should be received no later than 5pm 5 September 2014.** The following table summarises the timetable:

Date	Event
2 July	Start of bidding process
5 September	Deadline for receipt of bids
September/October	Assessment of bids
By end of October	Successful bidders notified

Completed bid forms, approved by the Section 151 officer², should be returned in electronic format to the Counter Fraud Fund via:

foia@communities.gsi.gov.uk

Please start the subject line of your email with bid authority (or lead authority) name. This email inbox can also be used for any questions you may have about the counter fraud fund.

Appraisal of Bids

An assessment team will review final bids according to the criteria set out in section two of this guidance. The assessment team will present initial results to an expert panel. Ministers will make final decisions about funding.

Payment of Support

Payment will be approved via the issue of a grant determination under Section 31 of the Local Government Act 2003. The first payment is expected to be made in the third quarter of 2014/15. Should DCLG require changes to the proposed financial profile submitted by the project, these will be agreed ahead of payment.

² As part of the bid, the Section 151 officer should include a confirmatory due-diligence assurance verifying that the information and assumptions presented in the bid are a true and fair reflection of the project.

Confidentiality

Throughout the bidding process details of individual bids, including feedback, will be treated as commercially sensitive and confidential. However, information may be published, or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000, the Data Protection Act 1988 and the Environmental Information Regulations 2004) as there is a statutory Code of Practice with which public authorities must comply, and which deals with, amongst other things, obligations of confidence.

Officials within government as well as the members of the panel and assessment team will have access to bids (and any supporting materials). Ministers will also have access to all information provided. If we receive a request for disclosure of the information we will process personal data in accordance with the Data Protection Act and in the majority of circumstances this will mean that personal data will not be disclosed to third parties.

While we will not disclose the nature, scale and scope of individual bids during the bidding process, we may use the information provided to produce an aggregate overview of the demand for the scheme and scale of projects that are likely to be funded. All feedback, written or oral, on final bids should be treated as confidential.

The department may publish top line information about successful bids where this is deemed to be in the public interest (for example, the name of the successful lead bidding authority, the amount that will be awarded and nature and scale of the successful proposal(s)). Once confirmation letters have been issued the department may disclose more detailed information about the bid. However, the actual bids (and supporting materials) and assessment scores will not be disclosed.

Counter fraud fund

Application form

Supporting local authorities to boost their capability and capacity in tackling non-benefit fraud.

This form should be submitted to foia@communities.gsi.gov.uk no later than **5pm on 5 September 2014**. Any queries about the fund should also be submitted to this address.

Section A: Applicant contact information

Principal local authority name/name of bidding organisation:	Taunton Deane Borough Council
Name of Contact(s):	Paul Fitzgerald
Position in authority:	Assistant Director - Resources
Telephone number(s) of the contact(s):	01823 358680
Email address of the contact(s):	p.fitzgerald@tauntondeane.gov.uk

Section B: Eligibility criteria

Please complete as appropriate:

The bid is from an English principal local authority	YES/ NO
All expenditure will be spent on counter fraud activities	YES/ NO
The bid is not dependent on a separate Counter Fraud Fund bid	YES/ NO
The bidding authority agrees to provide relevant project progress monitoring information to DCLG	YES/ NO
The proposal has been signed off by the relevant Section 151 officer and this proposal is accompanied by evidence to support this.	YES/ NO
The bid demonstrates that funding will support additional outcomes and/or service improvements.	YES/ NO

Section C: Project description

Short project title:

Please give the bid a short name, unique to any other counter fraud fund bids involving your organisation.

South West Counter Fraud Partnership

Short Project Description (75 words maximum):

Please give the bid a short description, outlining the key objectives and proposed outcomes of the proposal.

<p>This is a project to deliver a comprehensive counter-fraud service for participating organisations that will:</p>
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- | |
|---|
| <ul style="list-style-type: none"> • Through the formation of a single counter-fraud team, be more efficient and effective in preventing, detecting and investigating fraudulent activity than several poorly co-ordinated small teams acting independently; • Provide cross-partner data analysis of a wide range of different data sets, across a large geographic area, therefore providing greater opportunity to identify fraud. |
|---|

Project Summary (500 words maximum):

Please provide a brief description outlining the rationale for the project, the key elements of the scheme planned and how the counter fraud fund funding will be used. You should demonstrate how the funding will be used to achieve additional outcomes and/or service improvements.

<p>The project recognises that more effective counter-fraud measures are needed to protect public funds, and that current expertise is likely to transfer to DWP under SFIS. The aim is to create a single unified counter-fraud team to deliver a comprehensive counter-fraud service for participating organisations.</p>

<p>The proposal is for Taunton Deane (TDBC), West Somerset (WSC) and South Somerset (SSDC) councils to work in partnership. Further work is needed to develop the business case, and select the preferred delivery model. The project is therefore set out in two phases:</p>

<p>Phase 1 – To develop business case and select preferred delivery model</p>

<p>Phase 2 – Implement preferred delivery model</p>

<p>Whilst TDBC, WSC and SSDC are proposed as initial partners, this is scalable and other authorities have provided indicative expressions of interest.</p>

South West Audit Partnership Ltd (SWAP) currently provides internal audit services to a number of authorities in the Southwest. SWAP have developed an outline concept for delivering a joint counter-fraud function.

The authorities consider initial options could include:

- Operate a counter fraud shared service led by one of the authorities
- SWAP manage and operate a full counter fraud function for partner auths
- A hybrid of the two – with SWAP delivering certain activities.

Advantages to a joint approach include

- Economies of scale and reduced costs
- Better targeting of resources
- Better use of technology and cross-partner data analysis
- Sharing of knowledge and good practice

In addition, initial advantages for delivering through SWAP are thought to include

- Access to wider range of relevant and eligible data sets
- Access to existing analytical software and expertise
- Access to investigation expertise.
- Quicker corrective / recovery action at lower cost.

The partnership will deliver the following:

- Development of shared counter fraud strategy
- Identification and understanding of fraud risks and potential exposure to losses.
- Assessment and mitigation of resilience to fraud
- Investigation and enforcement
- Proactive anti-fraud work, such as data-matching and sample verification procedures.
- Financial savings
- Fraud Awareness training for elected members, Council employees and partners

The partnership's counter fraud resources will be directed on a risk basis to areas with the greatest potential benefit to the participating organisations, including:

- Council Tax Discounts and Support, and Non-Domestic Rates Relief and Discounts,
- Housing Tenancy-related fraud (sub-letting, key selling, no entitlement, false declarations, Right to Buy illegal succession)
- Grant applications (false declarations of health issues and circumstances).
- Procurement (over-billing/invoicing, under-delivery, payments to individuals/businesses where no goods/services have been provided)
- Income (not billing for goods/services provided, inappropriate and/or unapproved debt write-offs)

Staff working in the Counter-Fraud Team will be professionally trained and accredited in their role or working towards accreditation.

Grant Requirement: Please state the total amount you are bidding for from the counter fraud fund.

2014/15: £30,000
2015/16: £80,000
Total grant sought: £110,000

Bidding partners:

Please describe details of any proposed partnership arrangements, detailing the number and name of partners including any local authority matched funding and/or funding from other public or private sector organisations. If this proposal has been submitted on a single authority basis, please detail why it has not been possible to form a partnership, or provide an explanation as to why partnership working would not be appropriate.

- | |
|--|
| <ol style="list-style-type: none"> 1. Taunton Deane Borough Council (Local Authority Partner) 2. West Somerset District Council (Local Authority Partner) 3. South Somerset District Council (Local Authority Partner) 4. South West Audit Partnership Ltd ("SWAP") (Wholly owned and controlled local authority company limited by guarantee) |
|--|

Other bids: If you are submitting other bids for counter fraud fund funding, please list all other bids specifying the name of the bid, lead bidding organisation, and the partnership arrangements of the bid.

Not applicable

Section D: Financial savings and wider benefits

Your bid should provide reasonable estimates as to how the funds will result in financial savings that are at least equivalent to the funding requested.

Expenditure

Please use this box to detail the funding requested and how the funding will spent. Proposals should work on the basis of approximately one third of the total funding to be allocated in 2014/15 with the remaining two thirds in 2015/16. Additional rows can be added as necessary.

Description of expenditure	2014/15 Funding requested (£)	2015/16 Funding requested (£)	Total funding requested
Project resources to develop business case, plus initial set up costs	30,000		30,000
Delivery resources		75,000	75,000
Training		5,000	5,000
Total funding requested	30,000	80,000	110,000
Matched Funding (if applicable)	0	40,000	40,000

Please use the box below provide:

- an explanation of why you believe the costs to be reasonable, and confirmation that all costs associated with the project have been identified;
- that financial risks have been identified and mitigation plans are in place (a risk register can be attached);
- the nature and agreement on governance arrangements and project management arrangements, necessary to take forward this project.

The costs included in the bid represent a reasonable estimate of resources needed to: progress the completion of the business case and selection of preferred delivery model by March 2015; and deliver prevention, investigation and enforcement activities in 2015/16. The work on the business case will refine the cost estimates and it is assumed that set up costs will be needed in 2014/15. The costs largely represent cost of human resources with support costs including software and administration.

Financial risks have been assessed by TDBC as part of the review of its Counter Fraud Policy on March 2014 (attached).

Governance arrangements for the partnership and any delivery via SWAP will need to be developed as part of Phase 1 of the project.

Matched funding

If this proposal is to be supported by matched funding, please detail the amount and source of the matched funding in the table below, including the level of organisational and financial commitment and any dependencies.

Match funding is subject to approvals through the local budget process for each partner authority. There is the added uncertainty that the implementation of SFIS and the related reduction in HB Administration Grant could adversely affect the councils' budgets. At this stage it is suggested that match funding of £40,000 could be made available between the partner authorities in 2015/16 subject to these Council approvals.

Estimated savings

Please use this box to identify the financial savings that will result from the funding. The savings identified below must be additional to those that would be realised through those counter fraud activities currently planned. Additional rows and columns can be added as necessary.

Description of financial saving	Estimated financial saving (£)				
	2015/16	2016/17	2017/18	2018/19	2019/20
Reduction in Council Tax fraud (single person discount fraud, student discounts etc)	£12,600	£12,600	£12,600	£12,600	£12,600
Reduction in Council Tax Support fraud (through failure to declare true circumstances)	£14,100	£14,100	£14,100	£14,100	£14,100
Reduction in Business Rate fraud through inappropriate award of relief (mandatory & discretionary)	£16,000	£16,000	£16,000	£16,000	£16,000
Reduction in Housing Tenancy related fraud	£36,000	£36,000	£36,000	£54,000	£54,000
Reduction in other fraud to include procurement, employee/staff related, grants and income	£10,000	£10,000	£10,000	£10,000	£10,000
Total financial savings	£88,700	£88,700	£88,700	£106,700	£106,700

Please use the box below to provide reasonable estimates of how the estimated financial savings have been calculated, including any evidence to support your estimates.

Note – it is important to stress that the estimated financial savings are gross savings across the partner authorities, and these will not be retained in their entirety by the partner authorities. Council Tax savings will be shared with major preceptors and business rates savings will be shared with the Government, County Council and Fire Authority.

- Council Tax Fraud - estimated savings through removing discounts on 30 cases with average reduction @£350, with 40 penalties issued @ £70 (dependent on council policy to apply penalties)
- Council Tax Support Fraud - estimated savings through identifying excess Council Tax Support entitlement in 30 cases with average excess entitlement being £400 with 40 penalties issued @ £70 (dependent on council policy to apply penalties)
- Business Rate fraud – through removal of 8 cases of rate relief with average relief withdrawn of £2,000 per case
- Housing related fraud – estimate through NFA average of £18k per property average loss to public purse – based on 2 frauds identified in each of years 1-3, and 3 frauds identified in years 4-5

Wider benefits

If this proposal seeks to achieve wider benefits, for example reducing the social costs that result from types of fraudulent activity, these should be documented and quantified as far as possible.

To be considered and developed through Phase 1 of the project.

Section E: Sustainability

Please provide evidence (up to 250 words) of how the funding requested will result in financial savings, and any wider benefits, beyond the funding period.

It is expected that the funding requested will result in financial savings on an ongoing basis. Based on cases in other areas it is apparent that investment in fraud can yield higher than anticipated savings, however a prudent approach has been taken at this stage. In the longer term, increased public awareness together with more effective prevention through, for example, better trained staff and stronger controls is likely to reduce the level of ongoing savings. However, it is anticipated that there will always be some cases of fraud and the aim is for the counter fraud function to be “self financing” as a minimum over the medium to long term – in practice the ambition is that net savings will be achieved.

The initial partners also believe that there is a strong potential for the partnership to grow if the initial results are positive.

Section F: Innovation

Please provide an assessment (up to 250 words) on the level of innovation in the proposal and how this approach could be transferred to other local authorities and partnerships.

Innovation is a key feature of this bid. Use of technology and a wide range of data sets – which you might not readily associate with each other or fraud detection - will introduce new innovative ways of tackling fraud. This element of the bid will also be developed as part of Phase 1 of the project.

Whilst SWAP in itself is not a new entity, the potential use of our internal audit provider (with appropriate governance and separation of activities and responsibilities between audit and investigation) as a delivery vehicle is also innovative.

Section G: Procurement Strategy

Where applicable, please outline any procurement strategy including evidence of compliance with European Procurement Rules as relevant.

All of South West Audit Partnership Ltd members are local authorities and its primary purpose is to protect and further the general interest of local authorities. On this basis – as with existing internal audit services provided by SWAP – it is considered that the ‘Teckal exemption’ applies. On this basis it is proposed that the counter fraud service can be delivered by SWAP to the partner authorities without recourse to a regulated procurement procedure. The partner authorities will nonetheless be seeking to obtain value for money through this proposed delivery vehicle.

Section H: Other Information

Please use this section to provide any additional information that you think the assessors may require to evaluate your bid. Please limit your comments to no more than 250 words (Arial font, size 12).

There has been a number of expressions of interest from a number of South West authorities. However, due to the timing of bid (over summer period coinciding with staffing absences etc) and other transformation taking priority - there is a major transformation project ongoing to establish joint management and shared services for Taunton Deane and West Somerset – further work is needed to develop the concept and business case, and select the preferred delivery model.

TDBC has undertaken a lot of work in the last 12 months to review and update its Corporate Fraud Policy and related policies (e.g. whistleblowing). The council is committed to implement a counter-fraud function. West Somerset Council will shortly follow suit. SSDC is seeking to deliver an updated counter fraud strategy through the partnership.

Together, we are seeking to implement a cost effective solution that protects the public purse and effectively tackles fraud. We believe the partnership will prove to be successful and will grow over time (similar to our experience with the audit partnership).

Section I: Approval

Approval: Bid approved and signed off by Section 151 officer (or authorised person in other public sector partners) for each partner to the bid.

Name	Shirlene Adam
Organisation	Taunton Deane Borough Council
Date Approved	

Name	Shirlene Adam
Organisation	West Somerset Council
Date Approved	

Name	Donna Parham
Organisation	South Somerset District Council
Date Approved	

Name	
Organisation	
Date Approved	

Disclaimer

There shall be no expectation of grant until authorities have been formally notified in writing by the department. All the Applicant's costs and charges incurred as a result of making this application shall be for the applicant's account and cannot be claimed as part of the project.

The Data Protection Act: Freedom of Information Act 2000

The Department for Communities and Local Government undertakes to use its best endeavours to hold confidential any information provided in any application form submitted, subject to our contracting obligations under law, including the Freedom of Information Act 2000. If you consider that any of the information submitted in the application form should not be disclosed because of its sensitivity then this should be stated with the reason for considering it sensitive. The department will then consult with you in considering any request received under the Freedom of Information Act 2000 before replying to such a request.

Applicants should be aware that the following conditions will also apply to all bid applications:

- We may use your information for the purposes of research and statistical analysis and may share anonymised information with other government departments, agencies or third parties for research and statistical analysis and reporting purposes.
- Our policies and procedures in relation to the application and evaluation of grants are subject to audit and review by both internal and external auditors. Your information may be subject to such audit and review.
- We propose to include light touch monitoring by the department utilising publicly available information. We would encourage applicants to regularly publicise progress on their websites and disseminate good practice.
- The department will publish summaries of all successful bids.