

The Council's Vision:

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

AUDIT COMMITTEE

AGENDA

23 September 2013 at 4.30 pm

Council Chamber, Williton

1. Apologies for Absence

2. Minutes

Minutes of the Meeting of the Committee held on 16 July 2013 – **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 2013/14 – **SEE ATTACHED.**

7. Debt Analysis as at 30 June 2013

To consider Report No. WSC 125/13, to be presented by Steve Plenty, Deputy Section 151 Officer – **SEE ATTACHED.**

The Council's Vision:

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

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 30th June 2013.

8. Pensions Update

To receive a pensions update from Anton Sweet, Funds and Investments Manager, Somerset County Council.

9. Quarterly Review of Internal Audit Activity

The purpose of the report is to provide a review of Internal Audit activity for quarter 2, and to identify any level 4 and 5 control weaknesses – **SEE ATTACHED.**

10. Governance Code

To consider Report No. WSC 126/13, to be presented by Councillor K Kravis, Lead Member for Resources and Central Support – **SEE ATTACHED.**

The purpose of the report is for the Audit Committee to consider the attached revised Governance Code.

11. Annual Governance

Annual reports by external audit on the audit findings and arrangements for securing financial resilience – **TO FOLLOW.**

12. Audited Statement of Accounts 2012/13

To consider Report No. WSC 127/13, to be presented by Councillor K Kravis, Lead Member for Resources and Central Support – **SEE ATTACHED.**

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

COUNCILLORS ARE REMINDED TO CHECK THEIR POST TRAYS

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

RISK SCORING MATRIX

Report writers score risks in reports uses the scoring matrix below

Risk Scoring Matrix

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

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

- Mitigating actions for high ('High' or above) scoring risks are to be reflected in Service Plans, managed by the Group Manager and implemented by Service Lead Officers;
- Lower scoring risks will either be accepted with no mitigating actions or included in work plans with appropriate mitigating actions that are managed by Service Lead Officers.

AUDIT COMMITTEE**Minutes of the Meeting held on 19 July 2013 at 2.30 pm
in the Council Chamber, Williton****Present**

Councillor S GossChairman
Councillor M J Chilcott.....Vice Chairman (for this meeting)

Councillor M O A Dewdney

Members In Attendance

Councillor K V Kravis

Officers In Attendance

Section 151 Officer (S Campbell)
Principal Accountant/Deputy Section 151 Officer (S Plenty)
Meeting Administrator (H Dobson)

Also In Attendance

Peter Lappin, Audit Manager, Grant Thornton
Ian Baker, Group Audit Manager of South West Audit Partnership (SWAP)

A1 Apologies for Absence

Apologies for absence were received from Councillors E May, D D Ross, R P Lillis and D J Sanders.

A2 Appointment of Vice-Chairman

RESOLVED that Councillor M J Chilcott be appointed Vice-Chairman for the meeting.

A3 Minutes

(Minutes of the Meeting of Audit Committee held on 25 March 2013, circulated with the Agenda).

RESOLVED that the Minutes of the Meeting of Audit Committee held on 25 March 2013 be confirmed as a correct record.

A4 Declarations of Interests

Members present at the meeting declared the following personal interests in their capacity as a Member of a County, Parish or Town Council:

Name	Minute No	Description of Interest	Personal or Prejudicial	Action Taken
Cllr S Y Goss	All	Stogursey	Personal	Spoke and voted

A5 Public Participation

No members of the public had requested to speak.

A6 Audit Committee Action Plan

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

Members noted the confirmation that the action to implement a Contracts Register was a priority 4, however, due to limited resources it was decided that a realistic date for implementation was 31 March 2014.

RESOLVED that the Audit Committee Action Plan be noted and that all completed actions be deleted.

A7 Audit Committee Forward Plan

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

RESOLVED that the Audit Committee Forward Plan be noted.

A8 West Somerset Council Audit Plan 2012/13

(West Somerset Council Audit Plan 2012/13, circulated with the Agenda).

The purpose of the report was to provide the Committee with Grant Thornton's plan of the work for the year ended March 2013.

The Audit Manager, Grant Thornton, presented the report which sets out the work to be undertaken in order to provide an opinion on the Council's financial statements and value for money conclusion for 2012/13 and highlighted the challenges/opportunities facing the Council. Further, that the fees for 2012-13 had been reduced by 40% when compared to the previous year.

In response to a question the Audit Manager confirmed that there would be an increase in external audit work relating to the Hinkley Point C development and there would be no impact to the audit fee.

RESOLVED that the West Somerset Council Audit Plan 2012/13, be noted.

A9 Certification Plan 2012/13

(Certification Plan 2012/13, circulated with the Agenda).

The Audit Manager, Grant Thornton, presented the report which sets out the certification work to be undertaken for 2012/13: housing benefit and council tax

benefit, and national non-domestic rates return. A report would be presented to the Audit Committee of the findings at the end of the year.

RESOLVED that the Grant Thornton's Certification Plan 2012/13, be noted.

A10 Audit Update Report

(Audit Update Report, circulated with the Agenda).

The purpose of the report was to provide the Audit Committee with an update in progress from Grant Thornton in delivering its responsibilities as West Somerset Council's external auditors.

The Audit Manager, Grant Thornton, raised the Members awareness regarding the issues happening nationwide, as set out in the report, attached to the agenda.

RESOLVED that Grant Thornton's Audit Update Report, be noted.

A11 Fees Letter 2013/14

(Fees Letter 2013/14, circulated with the Agenda).

Members noted that the grant certification fee had reduced.

RESOLVED that Grant Thornton's Fee Letter for 2013/14, be noted.

A12 Internal Audit Annual Report and Opinion

(Internal Audit Annual Report and Opinion, circulated with the Agenda).

The purpose of the report was to provide a review of the Internal Audit activity for the period April 2012 to March 2013 and an opinion to support the Annual Governance Statement.

The Group Audit Manager, SWAP, reported that in summary only one audit received partial assurance, 'Delivery of Major Projects – Risk Management', and that four of the recommendations had already been addressed. The Council's management response to the recommendations were taken into consideration when providing an opinion. He was able to provide reasonable assurance in respect of the areas reviewed during the year.

In response to a request from the Committee, the Group Audit Manager advised that he would provide detail of the priority level 3 recommendations after the meeting.

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

A13 Internal Audit Charter

(Internal Audit Charter, circulated with the Agenda).

The purpose of the report was to provide a review of the Internal Audit Charter and approve any changes.

The Group Audit Manager, SWAP, advised that the Internal Audit Charter had changed slightly to reflect the new governance arrangements, as set out in the footnotes of the report and the head of SWAP was now it's Chief Executive. He assured the Committee that the key changes associated with the UK Public Sector Internal Audit Standards (PSIAS), as listed on page 52 on the agenda, had already been implemented by SWAP.

Members noted that the Quality Assurance Improvement Plan would be reported to a future meeting of the Audit Committee.

RESOLVED that the Internal Audit Charter, be noted.

A14 Annual Governance Statement 2012/13

(Report No. WSC 88/13, circulated with the Agenda).

The purpose of the report was to request the Audit Committee to review the Annual Governance Statement prior to its signature by the Leader of the Council and the Chief Executive.

The Section 151 Officer advised that the statement was based on CIPFA's code and had been adapted to suit the Council's requirements.

RESOLVED that the Annual Governance Statement, attached as Appendix A to the report, be approved.

A15 Unaudited Statement of Accounts 2012/13

(Report No. WSC 91/13, circulated with the Agenda).

The purpose of the report was to present to Audit Committee the unaudited accounts for the year ended 31 March 2013.

The Deputy Section 151 Officer reported that auditors were currently working on the draft Statement of Accounts for 2012/13. He was able to confirm that the benefits admin grant did not cover the Council's cost to administer the work. In response to Members concerns he confirmed that he would look back at previous years to determine if this year was the first time the grant did not cover the Council's expenses and whether other authorities were in a similar situation and report back in September 2013. The Section 151 Officer advised that she would raise the issue at the next meeting of Somerset finance officers.

Members noted that:

- the Earmarked Reserves would be reviewed next by Council in the second quarter, July – September 2013, and
- the Section 151 Officer would confirm after the meeting when the Actuarial Review of the Pension Fund would be available for the Audit Committee to consider at a future meeting.

RESOLVED that the unaudited Statement of Accounts 2012/13, be noted.

A16 Annual Review of Internal Audit

(Report No. WSC 87/13, circulated with the Agenda).

The purpose of the report was to inform the Audit Committee of the recent review of the effectiveness of the delivery on Internal Audit through SWAP (South West Audit Partnership) during 2012/13.

The Section 151 Officer had undertaken the review of SWAP on behalf of West Somerset Council the findings of which were set out in the report, attached to the agenda. Her findings have led her to believe that the internal audit function, as provided by SWAP, was effective.

RESOLVED that the findings of the Annual Review of Internal Audit, be noted.

A17 Debt Analysis – as at 31 March 2013

(Report No. WSC 92/13, circulated with the Agenda).

The purpose of the report was to provide the Audit Committee with an update on the level of debts outstanding to the Authority as at 31 March 2013.

The Audit Committee thanked officers for the information and for being kept up to date on a regular basis on the Council's level of outstanding debts.

RESOLVED that the debt analysis, as at 31 March 2013, be noted.

The meeting closed at 3.15 pm.

AUDIT COMMITTEE ACTION PLAN

Date/Minute Number	Action Required	Action Taken
	There are no outstanding actions from the last meeting of the Audit Committee held on 19 July 2013.	

AUDIT COMMITTEE FORWARD PLAN 2013/14

23 September 2013	3 December 2013	24 March 2014	June 2014
Quarterly Review of Internal Audit Activity	Quarterly Review of Internal Audit Activity	Quarterly Review of Internal Audit Activity	Internal Audit Charter
Statement of Accounts 2012/13	Annual Audit Letter	Internal Audit Plan 2014/15	Internal Audit Annual Report and Opinion
Annual Governance Report	Risk Management Update	Internal Audit Charter 2014-15	Annual Review of Internal Audit
Annual Report - Hinkley Point	6-month review of Treasury Management Update	Opinion Audit Plan 2013/14	Unaudited Statement of Accounts 2012/13
Debt Analysis Report	External Audit Fee Letter	Accounting Policies – 2013/14 Statement of Accounts	Annual Governance Report 2012/13
Pension Fund	Debt Analysis Report	Certification of Claims and Returns	Debt Analysis Report
	Statement of the current Hinkley Section 106 Funding Position	Risk Management Strategy 2014 update	External Audit Plan
		Debt Analysis Report	External Audit Certification Plan
		Consideration of an Independent Member	External Audit Update Report
			Fees Letter

Report Number: WSC 125/13
Presented by: Deputy Section 151 Officer, Steve Plenty
Author of the Report: Steve Plenty
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Report to a Meeting of: Audit Committee
To be Held on: 23rd September 2013
Date Entered on Executive Forward Plan N/A
Or Agreement for Urgency Granted:

DEBT ANALYSIS – AS AT 30 JUNE 2013

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 2013.

2. CONTRIBUTION TO CORPORATE PRIORITIES

- 2.1 None.

3. RECOMMENDATIONS

- 3.1 That Audit Committee note the information contained within the report.

4. RISK ASSESSMENT (IF APPLICABLE)

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.

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.
- 5.2 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.
- 5.3 Therefore set out below are details of the different streams of debt owed to the Authority as at 30th June 2013, comparing this to what was outstanding as at 30th June 2012 (the previous year).

Corporate Debts

Age of debt	Amount Outstanding As At 30 Jun 2013 (£)	Amount Outstanding As At 30 Jun 2012 (£)
Less than 3 months	101,490	94,660
3 to 6 months	11,984	12,536
6 months to 1 year	13,823	35,487
Over 1 year	141,516	125,262
Total	268,813	267,945

Housing Benefit Debts

	Amount Outstanding As At 30 Jun 2013 (£)	Amount Outstanding As At 30 Jun 2012 (£)
Debts being recovered from on-going entitlement to housing benefit	189,350	147,464
Debts being recovered from former claimants	291,115	287,327
Total outstanding	480,465	434,791

Council Tax Debts

Year from 1 April	Amount Outstanding As At 30 Jun 2013 (£)	Amount Outstanding As At 30 Jun 2012 (£)
Pre 2000	(2,572)	725
2001	6,442	8,465
2002	8,772	11,935
2003	9,714	12,814
2004	18,528	22,385
2005	21,180	32,291
2006	39,112	54,560
2007	53,262	72,758
2008	62,741	86,823
2009	58,485	95,860

2010	103,271	168,023
2011	163,379	394,418
2012	386,504	
Total	928,818	961,057

Business Rates Debts

Year from 1 April	Amount Outstanding As At 30 Jun 2013 (£)	Amount Outstanding As At 30 Jun 2012 (£)
Pre 2000	(338)	2,812
2001	(160)	176
2002	2,079	3,588
2003	516	3,238
2004	1,411	3,876
2005	1,282	3,011
2006	1,005	4,363
2007	4,941	8,369
2008	7,159	16,764
2009	6,607	47,148
2010	25,956	83,800
2011	72,611	176,244
2012	230,583	
Total	353,652	353,389

6. FINANCIAL/RESOURCE IMPLICATIONS

6.1 As set out in the report.

7. SECTION 151 OFFICER COMMENTS

7.1 Levels of debt can adversely affect the Council's cashflow. As such all debt is actively managed to keep outstanding amounts to a minimum.

7.2 As from 1st April 2013 the Council now has to bear some 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.



West Somerset Council

Report of Internal Audit Activity
Quarter 2, 2013/14

Internal Audit ■ Risk ■ Special Investigations ■ Consultancy

Contents

The contacts at SWAP in connection with this report are:

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Audit Framework Definitions	Appendix B

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

Quality 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 2013.

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

Internal Audit Work Plan – 2013/2014

Page 2

2013/14 Quarter 2 Update:

Completed audit assignments April to September 2013

Audit Plan Progress

The schedule provided at [Appendix A](#) contains a list of all audits as agreed in the Annual Audit Plan 2013/14. 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](#).

Where assignments record that recommendations have been made to reflect that some control weaknesses have been identified as a result of audit work, these are considered to represent a less than significant risk to the Council’s operations. However, in such cases, the Committee can take assurance that improvement actions have been agreed with management to address these.

Operational:

- 1 review of ‘Section 106 agreements’ complete with substantial assurance offered.

Governance, Fraud and Corruption:

- 1 non opinion review of ‘Delivering Good Governance’ has been completed.
- 3 reviews are in progress.

Follow Up Reviews:

- 1 follow up of ‘Delivery of Major Projects - Risk Management’ has been completed which found one action was in progress and four had been completed.

Investigations:

- 1 investigation into the use of Council vehicles has been completed.
- 1 investigation into complaints made regarding regulatory services is at draft report stage.



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

Internal Audit Work Plan – 2013 / 2014

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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 2013/14 is detailed in [Appendix A](#). Members will note that there were necessary changes to the plan throughout the year; any changes made have been subject to agreement with the section 151 officer.

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](#).

Steady progress has been made against the 2013/14 plan and we have not identified any significant corporate risks to the Council. One audit has received substantial assurance, and to date there have been no level 5 priority actions and one level 4 recommendation. I will continue to update Members on progress against the plan and am confident that the reviews currently in progress will be completed by the time of my next update.

WSC 2013/14 Plan Progress

APPENDIX A

3 = Medium ← → 5 = Major

Directorate/Service	Audit Area	Quarter	Status	Opinion	SWAP Feedback	No. of recs	Recommendations		
							3	4	5
FINAL REPORT									
Governance, Fraud & Corruption	Delivering Good Governance	Qtr 1	Final August	Non Opinion		4	4	0	0
Follow Up	Delivery of Major Projects - Risk Management	Qtr 2	Final June	Non Opinion					
Operational	Section 106	Qtr 2	Final September	Substantial		0	0	0	0
Special Investigation	Use of Council Vehicles		Final July			5	4	1	0
DRAFT REPORT									
Special Investigation	Whistleblowing complaints - regulatory services		Draft August	Non Opinion					
WORK IN PROGRESS									
Governance, Fraud & Corruption	Social Media	Qtr 2	In progress						
Governance, Fraud & Corruption	Fighting Fraud Locally	Qtr 2	In progress						
Governance, Fraud & Corruption	Public Safety in Open Spaces	Qtr 2	In progress						
NOT STARTED									
Governance, Fraud & Corruption	Financial resilience / partnership risks with TDDBC	Qtr 3							
Governance, Fraud & Corruption	Asset Management - Leasing and Rental	Qtr 4							
Operational	Council Tax Support Scheme	Qtr 2	Not started						
Operational	Hinkley DCO Section 106		Deferred to 14/15						
Key Control	Council Tax & NNDR	Qtr 3							
Key Control	Main Accounting	Qtr 3							
Key Control	Housing & Council Tax Benefits	Qtr 3							
Key Control	Creditors (replaced by Fighting Fraud Locally)		Deferred						
Key Control	Debtors (replaced by investigations)		Deferred						
Key Control	Capital Accounting (use of days to be agreed)		Deferred						
Key Control	Treasury Management (use of days to be agreed)		Deferred						
Follow up	Payroll	Qtr 3							
Follow up	Contract Management	Qtr 4							

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.

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 126/13

Presented by: Cllr K Kravis, Lead Member for Resources and Central Support

Author of the Report: Sharon Campbell s151 Officer

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Report to a Meeting of: Audit Committee

To be Held on: 23rd September 2013

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

GOVERNANCE CODE

1. PURPOSE OF REPORT

1.1 Audit Committee considers the attached revised Governance Code.

2. CONTRIBUTION TO CORPORATE PRIORITIES

2.1 It is a statutory requirement that the s151 officer completes an Annual Governance Statement and this should be based upon the current Governance Code.

3. RECOMMENDATIONS

3.1 Audit Committee approves the revised Governance Code.

4. RISK ASSESSMENT (IF APPLICABLE)

Risk Matrix

Description	Likelihood	Impact	Overall
That West Somerset Council fails to maintain good governance	3	4	12
<i>A Governance Code is maintained</i>	1	1	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 West Somerset Council Governance Code was last updated in 2009 and much has changed since then.

- 5.2 The annual audit of our Governance Statement highlighted that the code was out of date and needed reviewing.
- 5.3 The s151 officer has conducted a review in consultation with CMT and has revised the Code.

6. FINANCIAL/RESOURCE IMPLICATIONS

- 6.1 None in respect of this report, the actions contained within the Code should be embedded within the day to day work of Officers and Members.

7. SECTION 151 OFFICER COMMENTS

- 7.1 The Annual Governance Statement is an important part of the annual accounts process and as such it is necessary to ensure that the Code followed by Officers and Members is up to date and relevant.

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 relation to this report.

9. CRIME AND DISORDER IMPLICATIONS

- 9.1 None in relation to this report.

10. CONSULTATION IMPLICATIONS

- 10.1 This has been done in consultation with CMT.

11. ASSET MANAGEMENT IMPLICATIONS

- 11.1 None in relation to this report.

12. ENVIRONMENTAL IMPACT

- 12.1 None in relation to this report.

13. LEGAL IMPLICATIONS

- 13.1 None in relation to this report.

WEST SOMERSET COUNCIL – GOVERNANCE CODE

Principle 1 Focusing on the purpose of the authority and on outcomes for the local community and creating and implementing a vision for the local area

	Our commitment:-	How will we do that?
1.1	Exercising strategic leadership by developing and clearly communicating the Council's purpose and vision and its intended outcome for citizens and service users	<p>Promote the Council's purpose and values <u>which have been put onto all standard meeting agendas, on council e-mails and notices placed around the public areas for West Somerset House.</u></p> <p>Review on an <u>annual regular</u> basis the Council's vision for the local area and its implications for the Council's governance framework</p> <p>Maintain a Corporate Plan <u>that illustrates which contains priorities that reflect</u> the Council's vision and values <u>and ensure it is reviewed quarterly</u></p> <p>Work closely with stakeholders including residents in <u>developing plans (something about Hinkley) responding to important, nationally significant developments, such as Hinkley Point C, leading the community in helping to shape those proposals and securing substantial benefit for the local people.</u></p>
1.2	Ensuring that users receive a high quality of service whether directly, in partnership or through commissioning	<p>Working with Taunton Deane Borough Council to develop a business case for shared services, starting with shared management. <u>A decision to appoint a joint Chief Executive was made in July 2013 to commence in October 2013.</u></p> <p>Working with others as appropriate to seek to share services wherever possible, and with the most suitable partner</p>
1.3	Ensuring that the Council makes best use of resources and that taxpayers and service users receive excellent value for money	<p>Providing overall governance for and management of the Corporate Plan</p> <p>Engaging the South West Audit Partnership to provide internal audit services and reviewing the effectiveness of this on an annual basis</p> <p>Publishing all spend over £500 on the Authority's website as well as the remuneration of senior</p>

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	officers
	Publication and maintenance of a Medium Term Financial Plan as a live document
	Compliance with the Prudential Code in relation to Capital spend and Treasury Management

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

	Our commitment:-	How will we do that?
2.1	Ensuring effective leadership throughout the Council and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function	All committee reports to be completed using the corporate template to ensure all aspects have been addressed, including sign off by the section 151 officer Providing the overall strategic leadership for the council through The Leader, Cabinet and CMT Reviewing senior officer responsibilities and accountabilities, ensuring that these link to corporate priorities and are published on the internet Ensuring that all senior staff have the necessary skills and knowledge, including financial skills, to enable them to undertake their strategic roles.
2.2	Ensuring that a constructive working relationship exists between Council Members and Officers and that the	Publish the Protocol for Members and Officers Relations within the Council's Constitution. Maintain Codes of Conduct for Members and Officers Maintain the Scheme of Delegations and Financial Regulations within the Constitution and revise these annually

	responsibilities of Members and Officers are carried out to a high standard	Review Member roles in performance management
2.3	Ensuring relationships between the Council, its partners and the public are clear so that each knows what to expect of the other	Maintain protocols to ensure effective communications between Members and Officers in their respective roles
		Continue regular Member and staff briefings eg Under the Spotlight, Member Briefings, Grapevine, Community Matters
		Issue press releases in connection with major developments either within the Council or within the district

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

	Our commitment:-	How will we do that?
3.1	Ensuring Council Members and Officers exercise leadership by behaving in ways that exemplify high standards of conduct and	Ensure that the Council’s leadership sets a tone for the organisation by creating a climate of openness, support and respect. This will include weekly communications to staff and regular Member briefings and regular meetings between the Chair of the Standards Committee, The Leader and the CEO

	effective governance	Ensure that the standards of conduct and personal behaviour expected of Members and officers, of work between Members and officers and between the Council, its partners and the community are embedded within the Council's Constitution and revised on an annual basis
		Put in place arrangements to ensure that Members and officers are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice
		Maintain policies and procedures concerning gifts and hospitality, HR issues and Codes of Conduct and ensure that all new Members and staff are directed to these as an integral part of their induction
		Ensure all team leaders and managers receive management and leadership training.
3.2	Ensuring that organisational values are put into practice and are effective	Ensure that The Council's access policies are regularly reviewed and updated
		Ensure that all Members and officers are aware of these policies
		Publish the Council's vision and ensure that this is communicated to all Members and officers

Principle 4 Taking informed and transparent decisions that are subject to effective scrutiny and management risk

Our commitment:-	How will we do that?
-------------------------	-----------------------------

4.1	Being rigorous and transparent about how decisions are taken and listening and active on the outcome of constructive scrutiny	Maintain an effective scrutiny function which encourages constructive challenge and enhances the Council's performance overall and that of any organisation for which it is responsible
		<i>To keep up to date with the latest statutory responsibilities relating to transparency; for example, putting in place changes to procedure to meet the requirements of the Local Authorities(Executive Arrangements)(Meetings and Access to Information) (England) Regulations 2012. Something about compliance with the revised governance re including items on forward plans etc</i>
		Maintain Codes of Conduct for Members and Officers and ensure these are embedded within the Constitution and revised annually
		<i>The terms of reference of the Audit Committee make it clear that its main purpose is to provide independent assurance of the adequacy of the Council's financial and Corporate Governance processes seeking assurance where appropriate from cabinet and/or referring matters to Scrutiny. Include in the terms of reference of the Audit Committee the responsibility to be an effective Corporate Governance Panel which is independent of the executive and scrutiny functions</i>
		Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints and that complaints are correctly recorded and dealt with
		Ensure CMT are aware of the requirements of Financial Regulations by including these on every CMT agenda
		<i>Record all Committee meetings and make the recordings available for public inspection</i>
		Publication of all 3 rd party spend data over £500 is done on a monthly basis and all senior officers remuneration is published in the Statement of Accounts and on the Internet
4.2	Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs	Maintain a Medium Term Financial Plan spanning at least 3 years
		Quarterly reporting of performance and budget position to go to <u>Scrutiny and</u> Cabinet and Council
		Quarterly reporting of the current debt position to go to Audit Committee for noting and challenging.
		Record of decision making available to the public
		Ensure that effective arrangements for whistle-blowing are in place to which Members, officers

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		and all those contracting with or appointed by the Council have access.
4.3	Ensuring that an effective risk management system is in place	SWAP Ltd to undertake audits based on risk
		Ensure that all the risks associated with the business case on joint working are recorded and mitigated where possible
		Ensure that risk management is embedded within the authority, and that all decisions are based on an assessment of risk
		Actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine but strive to use their powers under the Localism Act to the full benefit of their communities
4.4	Using their legal powers to the full benefit of the citizens and communities in their area	Observe all specific legislation requirements placed upon them, as well as the requirements of general law, embedding these within procedures and decision making processes
		Ensure that communities and the public are aware of their rights under the Localism Act; for example, processes have been established and publicised on the Council's website in regard to, such as the Community Right to Challenge and the Community Right to Bid (in respect of assets of community value).

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Principle 5 Developing the capacity and capability of Members and officers to be effective

	Our commitment:-	How will we do that?
5.1	Making sure that Members and officers have the skills, knowledge, experience and resources they need to perform well in their roles	Provide induction programmes tailored to individual needs and opportunities for Members and officers to update their knowledge on a regular basis Ensure that statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Council. Work with partners to share skills, knowledge, experience and resources eg obtaining s151 support from SCC and sharing a Chief Executive with TDBC Identify staff development needs through their annual performance review Ensuring that all team leaders and managers participate in leadership training – ILM Level 5 Certificate in Leadership and Management. Undertake an annual review of the council’s performance management arrangements Identify staff development needs through their annual performance review
5.2	Developing the capability of	Regular workshops with Members to improve communication and performance Undertake an

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	people with governance responsibilities and evaluating their performance, as individuals and as a group	<p>annual review of the council's performance management arrangements</p> <p>Quarterly reporting of corporate performance to Scrutiny and Cabinet. Regular workshops with Members to improve communication and performance</p> <p>Ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the Council</p> <p>Quarterly reporting of corporate performance to Cabinet and Council</p>
5.3	Encouraging new talent for membership of the Council so that best use can be made of individuals' skills and resources in balancing continuity and renewal	<p>Ensure that the Councillors Guide is published on the internet along with FAQs about how to become a councillor</p> <p>Ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the Council</p> <p>Ensure that the Councillors Guide is published on the internet along with FAQs about how to become a councillor</p> <p>Hold meetings in the early evening</p>

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

	Our commitment:-	How will we do that?
6.1	Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders including partnerships and develops constructive accountability	<p>Regular Scrutiny Committee meetings</p> <p>HINKLEY??? <u>Working closely with all relevant stakeholders to develop and encouraging scrutiny of the Council's response to nationally significant projects at Hinkley Point to ensure that the Council's approach is reflective of and represents local views</u></p> <p>LOCALISM <u>The Scrutiny Committee undertook a review of the Council's progress in terms of working with local town and parish councils ofn devolution particularly in respect of grounds maintenance and public conveniences.</u></p>

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	relationships	<p><u>The Scrutiny Committee invites external partners to attend its meetings on occasion to discuss matters of concern to the local community ; for example, housing providers, community safety and provision of out of hours health care. Preparation of a Community Strategy encapsulating the role of the Council and how it is responsible to the local community</u></p> <p><u>The Scrutiny Committee annually review its work programme to plan its work over the coming 12 months to maximise its effectiveness. Produce an annual report on the effectiveness of the Scrutiny function</u></p>
6.2	Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the Council, in partnership of by commissioning	<p>Work with Members, officers and key partners to understand the major issues affecting the council</p> <p>Hold meetings in public unless there are good reasons for confidentiality. Ensure that arrangements are in place to enable the Council to engage with all sections of the community effectively</p> <p>Make available committee papers, minutes and recordings of meeting to the community</p> <p>Ensure there is a visible and easy to use Complaints and Compliments procedure and that this is publicised widely</p>
6.3	Making best use of human resources by taking an active and planned approach to meet responsibility to staff	<p>Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making</p> <p>Whenever staff leave the authority assess how best to fill the vacant role including looking at sharing resources with other partners</p>

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Report Number: WSC 127/13
Presented by: Cllr K Kravis, Lead Member for Resources and Central Support
Author of the Report: Steve Plenty
Contact Details:
Tel. No. Direct Line 01984 635217
Email: sjplenty@westsomerset.gov.uk

Report to a Meeting of: Audit Committee
To be Held on: 23rd September 2013
Date Entered on Executive Forward Plan Or Agreement for Urgency Granted: N/A

AUDITED STATEMENT OF ACCOUNTS 2012/13

1. PURPOSE OF REPORT

1.1 The Audit Committee is asked to review 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.

3. RECOMMENDATIONS

3.1 The Audit Committee considers the audited Statement of Accounts.

3.2 The Chair of the Audit Committee signs and dates the balance sheet.

3.3 The Council's Section 151 Officer re-signs and dates the accounts.

3.4 The Accounts and relevant certificates are published on the Council's website.

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)

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 (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.

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 draft accounts were considered by the Audit Committee at its meeting of 19th July. 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 (at the time) 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.

- Whoever is the Council's new responsible financial officer (as defined in the Regulations as the person identified under section 151 of the local government act 1972), they 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.

5.2 The 2012/13 Statement of Accounts is attached as Appendix A to this report.

6. FINANCIAL/RESOURCE IMPLICATIONS

6.1 The combined Earmarked and General Fund Reserve balances as at 31st March 2013 stand at £2.091m. This compares with a total of £2.212m as at 31st March 2012.

7. SECTION 151 OFFICER COMMENTS

7.1 General Fund Reserve balances increased by £0.057m during 2012/13, with Earmarked Reserves decreasing by £0.178m during the same period.

7.2 I would like to thank the council's very small finance team for their hard work in producing the 2012/13 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 will be 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 None in respect of this report.



West Somerset District Council Statement of Accounts 2012/13

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Explanatory Foreword

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 and 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 District 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 87.6 full-time equivalent staff, of whom 12.4 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 District 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

An explanation of which statements follow, their purpose and the relationship between them:

Movement in Reserves Statement (Page 9)

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 other 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.

Comprehensive Income and Expenditure Statement (Page 10)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Balance Sheet (Page 11)

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.

Cash Flow Statement (Page 12)

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.

Notes to the Financial Statements (Page 13)

The notes provide more information on some of the figures within the main statements listed above. They also include the accounting policies, which guide the treatment of income and expenditure and disclosures relating to the assets and liabilities of the Council.

Pensions

In accordance with financial reporting standards, West Somerset District 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 liability that the Council recognises is £18.767m as shown in the Balance Sheet on page 11.

Any material and unusual charge or credit in the accounts

During 2011/12 an exercise commenced in relation to the value of the Authority's Information Technology (IT) assets. This exercise identified that an amount of £0.598m was removed from the value of IT assets resulting in an impairment charge being made in 2011/12 within the Statement of Accounts. This exercise was concluded as part of the 2012/13 closedown process with a further £0.178m being removed from the value of IT assets. This again has resulted in a further impairment charge being made in 2012/13 within the Statement of Accounts.

Council Borrowing

The Council currently has one loan of £3.500m, which is owed to the Public Works Loans Board. This is repayable in February 2014.

Sources of funds to finance capital

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.

Significant provisions or contingencies and material write-offs

There have been no significant provisions, contingencies or material write-offs during 2012/13.

Any material events after the reporting date

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

The impact of the current economic climate on the Authority and the services it provides:

Reduction in government grant / forecast balances

The Council's financial support from Central Government (known as the 'Revenue Support Grant') continues to fall with an anticipated cut of 23% for 2014/15. This is partially offset by an anticipated increase in the amount of National Non-Domestic Rates retention forecast.

During 2012/13 the Council invited the Local Government Association to undertake a review of the long term viability of the Council as a separate entity and their conclusion is that the Council is not viable in the long term in its present format. The use of reserves will enable the Council to set a budget for the

next 2 years but significant cuts or new ways of working will be required to be sustainable in the long term. As a result of this the Council is working with Taunton Deane Borough Council to undertake a business case exploring sharing management and service delivery.

Revenue Income and Spending in 2012/13

In February 2012, we agreed that our budget for 2012/13 would remain at £4.939m. The council tax for a Band D property was unchanged again at £132.90. The budget assumed use of £0.606m of reserves, as the amount of annual income was expected to be lower than the annual expenditure.

Savings were made in year amounting to £0.557m in anticipation of the further grant cuts in 2013/14 and this meant that after the agreed transfer from earmarked reserves there was a final underspend of £0.058m and this has increased the general fund reserve to £0.991m.

Capital Income and Spending in 2012/13

Our capital expenditure and capital financing note on page 39 shows the income and expenditure transactions we make when we:

- Buy or improve property, plant and equipment
- Finance revenue expenditure from capital under government rules, and
- Use a combination of capital receipts and borrowing to pay for it

The significant projects delivered during 2012/13 included the provision of Disabled Facilities Grants, other Private Sector Housing Grants and expenditure on the Authority's IT Infrastructure.

Future Developments

There are no specific areas of growth planned for 2013/14. The business case with Taunton Deane Borough Council may highlight some possible development areas. A bid is being made to DCLG for help with the implementation costs of the outcome of the business case.

Further Information

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



Sharon Campbell, CPFA
Section 151 Officer

Independent Auditor's Report

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 Section 151 Officer
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- Approve the Statement of Accounts

The Section 151 Officer's Responsibilities

The Section 151 Officer 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 Section 151 Officer 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 Section 151 Officer 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 the Authority at 31 March 2013 and of its expenditure and income for the year ended 31 March 2013.



Sharon Campbell CPFA
Section 151 Officer

Date: 23 September 2013

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 2011		931	1,067	1,452	524	3,974	1,310	5,284
Movement in Reserves during 2011/12								
Surplus (or Deficit) on the provision of services		(1,658)				(1,658)		(1,658)
Other Comprehensive Income and Expenditure		0				0	(4,254)	(4,254)
Total Comprehensive Income and Expenditure		(1,658)	0	0	0	(1,658)	(4,254)	(5,912)
Adjustments between accounting basis and funding basis under regulations	7	1,872		59	(258)	1,673	(1,673)	0
Net Increase/Decrease before Transfers to Earmarked Reserves		214	0	59	(258)	15	(5,927)	(5,912)
Transfers to/(from) Earmarked Reserves	8	(211)	211			0		0
Increase / (Decrease) in 2011/12		3	211	59	(258)	15	(5,927)	(5,912)
Balance at 31 March 2012 Carried forward		934	1,278	1,511	266	3,989	(4,617)	(628)
Movement in Reserves during 2012/13								
Surplus (or Deficit) on the provision of services		(1,502)				(1,502)		(1,502)
Other Comprehensive Income and Expenditure		0				0	400	400
Total Comprehensive Income and Expenditure		(1,502)	0	0	0	(1,502)	400	(1,102)
Adjustments between accounting basis and funding basis under regulations	7	1,381		(216)	(50)	1,115	(1,115)	0
Net Increase/Decrease before Transfers to Earmarked Reserves		(121)	0	(216)	(50)	(387)	(715)	(1,102)
Transfers to/(from) Earmarked Reserves	8	178	(178)					
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	(5,332)	(1,730)

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.

2011/12			2012/13			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
3,876	(3,469)	407		3,743	(3,371)	372
770	(105)	665		876	(130)	746
2,534	(372)	2,162		2,453	(270)	2,183
359	(545)	(186)		400	(499)	(99)
14,359	(13,535)	824		14,768	(14,093)	675
1,883	(938)	945		2,616	(1,050)	1,566
1,361	(24)	1,337		1,114	(13)	1,101
151	0	151				0
25,293	(18,988)	6,305		25,970	(19,426)	6,544
762	0	762	9	867		867
0	0	0				0
473	(94)	379	10	604	(613)	(9)
	(5,788)	(5,788)	11		(5,900)	(5,900)
		1,658				1,502
		0	23			(1,550)
		4,254	25			1,150
		4,254				(400)
		5,912				1,102

Balance Sheet

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 2012 £000		Notes	31 March 2013 £000
15,266	Property, Plant & Equipment	12	14,979
2,780	Investment Properties	13	3,349
20	Long-term Debtors	16	16
18,066	Long Term Assets		18,344
2,046	Assets Held for Sale	15	2,842
1,411	Short Term Debtors	17	1,217
1,860	Cash and Cash Equivalents	18	931
5,317	Current Assets		4,990
(3,273)	Short Term Creditors	19	(6,081)
(6)	Provisions	20	(3)
(3,279)	Current Liabilities		(6,084)
(3,506)	Long Term Borrowing	21	0
(16,994)	Other Long Term Liabilities	21	(18,767)
(232)	Capital Grants Receipts in Advance	21	(213)
(20,732)	Long Term Liabilities		(18,980)
(628)	Net Assets		(1,730)
(3,989)	Usable Reserves		(3,602)
4,617	Unusable reserves	22	5,332
628	Total Reserves		1,730

I confirm that this Statement of Accounts was approved by the Audit Committee at its meeting on 23 September 2013.

Signed:

Date: 23 September 2013

Cllr Susan Goss
Chair of Audit Committee

Cash Flow Statement

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

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

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

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

2011/12 £000		Notes	2012/13 £000
(1,658)	Net surplus or (deficit) on the provision of services		(1,502)
3,555	Adjustments to net surplus or deficit on the provision of services for non cash movements	28	950
(276)	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities (See note references)	29	(88)
1,621	Net cash flows from Operating Activities		(640)
(598)	Investing Activities	31	(289)
0	Financing Activities		0
1,023	Net increase or decrease in cash and cash equivalents		(929)
837	Cash and cash equivalents at the beginning of the reporting period	18	1,860
1,860	Cash and cash equivalents at the end of the reporting period	18	931

Notes to the Financial Statements

1 Accounting Policies

General Principles

The Statement of Accounts summarises the Authority's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. 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 2012/13 and the Service Reporting Code of Practice 2012/13, 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 District 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

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

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

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 Local Government Pensions Scheme administered by Somerset County Council. 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 Somerset County Council 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 using the annualised yield at the 18 year 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 Somerset County Council pension fund attributable to West Somerset are included in the Balance Sheet at their fair value and include quoted securities at current bid price and property at market value.

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

- **Current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- **Past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- **Interest cost** – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- **Expected return on assets** – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- **Gains or losses on settlements and curtailments** – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- **Actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve
- **Contributions paid to the Somerset County Council 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:

- 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.

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 2012/13 (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 full 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 2013. 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.

Component Accounting

Components of non-current assets do not always have the same useful lives and may depreciate or wear out at different rates throughout their life. Therefore, it is appropriate to depreciate each significant

component separately over its useful life, in order that the Comprehensive Income & Expenditure Account is fairly charged with the consumption of economic benefits of those assets.

Where a significant component is expected to wear out more quickly than the overall asset, it is depreciated over a shorter period of time and any subsequent expenditure on restoring or replacing the component is capitalised (with any carrying amount of the replaced component being written off to the Comprehensive Income and Expenditure Statement).

From 1 April 2010, components will be recognised when an asset is enhanced, acquired or re-valued.

Where a component is replaced or restored, the carrying amount of the old component is derecognised:

- Land and individual buildings will be valued separately.
- Assets are deemed to be material and considered for componentisation when the cost or value in the Balance Sheet is at least £0.184m (approximately 1% of the Authority's non- current assets as at 31 March 2013)
- Each asset will be reviewed individually by the valuer to determine whether any part of a material asset has a differing useful life or method of depreciation.
- Where component spend is worth 20% of the total cost value of the asset it is deemed to be significant. Where information is not readily available to determine the value of components, a best estimate will be accounted for and detail of how the estimate was arrived at, in liaison with relevant professional advice, will be documented.

West Somerset currently does not have any Property, Plant and Equipment that meets the above criteria and therefore has not disclosed this separately.

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 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

Billing authorities in England are required by statute 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 as balances are distributed across the Balance Sheets of the billing authority, the Government and precepting authorities.

Further details on the Collection Fund use can be found within the notes to the Collection Fund in the Statement of Accounts.

Accounting for Council Tax

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.

The Council Tax income included in the Taxation and Non Specific Grant Income line in the

Comprehensive Income and Expenditure Statement shall be the accrued income for the year. This is calculated by taking the demand on the Collection Fund plus the Authority's share of the carry forward surplus/deficit on the Collection Fund as at the 31 March 2013. This amount is then adjusted for the Authority's share of the surplus/deficit of 31 March 2012 that has not been distributed or recovered in the current year.

The difference between the income included in the Taxation and Non Specific Grant Income line in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the Collection Fund shall be taken to the Collection Fund Adjustment Account and included as a reconciling item in the General Fund in the Movement in Reserves Statement.

Accounting for National Non-Domestic Rates

The Council, as an agent on behalf of Central Government carries out the collection of National Non-Domestic Rates (NNDR). Cash collected from NNDR taxpayers by the Council (net of the cost of collection allowance) belongs to the Government and the amount not yet paid to the Government at the Balance Sheet date shall be included in the Balance Sheet as a creditor; similarly, if the cash paid to the Government exceeds the cash collected from NNDR taxpayers (net of the cost of collection allowance), the excess shall be included in the Balance Sheet as a debtor.

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

Heritage Assets

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

West Somerset District Council reviewed assets it holds under Community Assets and it was concluded that the Authority doesn't hold any at the present time.

Changes in Accounting Estimates

West Somerset District Council has taken the decision to move to depreciating its vehicles, plant and equipment assets on a straight-line basis from a reducing balance basis.

A review of the depreciation schedules of vehicles, plant and equipment of the Council has resulted in the Council concluding that the basis on which these assets are depreciated would better reflect the resources consumed if calculations were on a straight-line basis rather than a reducing balance basis, thus meaning the assets would be fully depreciated over their determined useful economic life. This revision results in an increase in depreciation for 2012/13 of £0.169m and an estimated increase in 2013/14 of £0.021m.

This now means that the Authority depreciates all of its assets on the same basis (straight-line).

Events after the Balance Sheet Date

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

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

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

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

The adoption of amendments to the Code of Practice on Local Authority Accounting may require changes to the Council's accounting policies from 1 April 2013 in respect of the following:

IFRS 7 – Financial Instruments: Disclosures. It is unlikely that this standard will have a material effect on the Council's financial statements but will provide users of the accounts with additional information on:

- the risk and exposure relating to the transfer of financial assets; and
- the effect of these risks on the Council's financial position.

IAS 1 – Presentation of Financial Statements. This standard revises the presentation of other comprehensive income in the financial statements.

IAS 12 - Income Taxes: Deferred Taxation re Investment Properties. As the Authority is not liable to Corporation Tax, it is considered that the standard will not apply to the Council's accounts.

IAS 19 – Employee Benefits. This standard refines the existing calculation and disclosure of pension costs within the Council's financial statements. If adopted, it could mean an increase in the pension charge on the Council's Comprehensive Income and Expenditure Statement.

3 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.

4 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 2013 the Pension Liability for West Somerset amounted to £18.767m. 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 £1.877m to the provision needed.
Arrears	As at 31 March 2013, the Authority had a balance of corporate debtors of £0.250m. A review of balances suggested that an impairment allowance of £0.112m 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 £0.112m to be set aside as an allowance.

5 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 £13.265m in 2012/13 compared with £12.919m in 2011/12. Housing Benefit subsidy amounted to (£13.172m) in 2012/13 compared with (£12.864m) in 2011/12.

Council Tax Benefit Payments and Subsidy

The Council incurs a significant proportion of its spend on benefit payments, which is funded predominantly by Government grant. Council Tax Benefit and subsidy payments are included within Central Services to The Public on the face of the Comprehensive Income and Expenditure Statement and payments amounted to £3.111m in 2012/13 compared with £3.166m in 2011/12. Council Tax Benefit subsidy amounted to (£3.143m) in 2012/13 compared with (£3.196m) in 2011/12.

6 Events after the Balance Sheet Date

The Statement of Accounts were authorised for issue by the Section 151 Officer on 23 September 2013. Events taking place after this date, are not reflected in the financial statements or accompanying notes.

7 Adjustments between Accounting Basis and Funding Basis under Regulations

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

2012/13	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
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	(47)		47	
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:				
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	(506)			506
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	14			(14)
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)
Total Adjustments	1,381	(216)	(50)	(1,115)

2011/12 Comparative Figures	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Charges for depreciation and impairment of non current assets	1,130			(1,130)
Capital grants and contributions applied	(258)			258
Revenue expenditure funded from capital under statute	699			(699)
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	259			(259)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Capital expenditure charged against the General Fund Balance	(79)			79
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure	(13)		13	0
Application of grants to capital financing transferred to the Capital Adjustment Account			(271)	271
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	(276)	276		
Use of the Capital Receipts Reserve to finance new capital expenditure		(217)		217
Adjustment involving the Pensions Reserve:				
Actuarial past service gain adjustment	1,029			(1,029)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(629)			629
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	15			(15)
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.	(5)			5
Total Adjustments	1,872	59	(258)	(1,673)

8 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 2012/13.

	Balance at 31/03/11 £000	Transfers Out £000	Transfers In £000	Balance at 31/03/12 £000	Transfers Out £000	Transfers In £000	Balance at 31/03/13 £000
General Fund - Revenue Earmarked Reserves							
Areas Based Grant	390	(212)	41	219	(59)		160
Other Earmarked Reserves	168	(92)	184	260	(118)	135	277
Planning Performance Agreement Reserve	309	(10)	113	412	(412)		0
Seaside Towns Reserve	200	(1)		199	(103)		96
New Homes Bonus Reserve	0	(1)	74	73	(98)	219	194
DCO Reserve	0		71	71	(23)		48
Sustainability Reserve	0		44	44		281	325
Total	1,067	(316)	527	1,278	(813)	635	1,100

Area Based Grant - relates to a general grant allocated by Central Government 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.

Other Earmarked Reserves – relates to various monies set aside by the authority including Land Charges Reserve, Mortgage Rescue Programme Reserve, Economic Regeneration Reserve and Tourism Earmarked Reserve.

9 Other Operating Expenditure

2011/12 £000		2012/13 £000
776	Parish Council precepts	840
3	Levies	3
(17)	(Gains)/Losses on the disposal of non current assets	24
762	Total	867

10 Financing and Investment Income and Expenditure

2011/12 £000		2012/13 £000
53	Interest payable and similar charges	53
420	Pensions interest cost and expected return on pension assets	551
(16)	Interest receivable and similar income	(21)
0	Income and Expenditure in relation to investment properties and changes in fair value	(509)
(78)	Other investment income	(83)
379	Total	(9)

11 Taxation and Non Specific Grant Income

2011/12 £000		2012/13 £000
(2,757)	Council tax income	(2,824)
(1,933)	Non domestic rates	(2,242)
(827)	Non-ringfenced government grants	(363)
(271)	Capital grants and contributions	(471)
(5,788)	Total	(5,900)

12 Property, Plant and Equipment

Revaluations

The Council carries out a programme that ensures that all Property, Plant & Equipment is measured at fair value and revalued at least every five years, with the latest revaluation exercise being carried out as at 31 March 2013. 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	Assets Under Construction £000	surplus Assets Not Held for Disposal £000	Surplus Assets Held for Disposal £000	Total £000	Grand Total £000
Valued at Historic Cost		134	3,173		3,307						3,307
Valued at Current Value In:											
2012/13	9,842				9,842	3,349		1,298	2,749	7,396	17,238
2011/12			158		158				93	93	251
2010/11	101				101						101
2008/09			167	22	189						189
2005/06			18		18						18
2004/05				66	66						66
Total	9,943	134	3,516	88	13,681	3,349	0	1,298	2,842	7,489	21,170

Depreciation

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 2012/13	Other Land & Buildings	Vehicles Plant & Equip	Infrastructure Assets	Community Assets	Non- Operational Assets	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£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

Comparative Movement in 2011/12	Other Land & Buildings	Vehicles Plant & Equip	Infrastructure Assets	Community Assets	Non- Operational Assets	Total Property, plant and Equipment
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2011	10,258	4,141	6,634	86	1,170	22,289
Additions	225	55	139			419
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(34)	(598)				(632)
Derecognition - Disposals	(19)	(57)				(76)
Assets reclassified (to)/from Held for Sale	(97)					(97)
At 31 March 2012	10,333	3,541	6,773	86	1,170	21,903
Accumulated Depreciation and Impairment						
At 1 April 2011	(285)	(2,898)	(2,986)			(6,169)
Depreciation charge	(147)	(165)	(187)			(499)
Derecognition - Disposals		31				31
At 31 March 2012	(432)	(3,032)	(3,173)	0	0	(6,637)
Net Book Value						
As at 31 March 2012	9,901	509	3,600	86	1,170	15,266
As at 31 March 2011	9,973	1,243	3,648	86	1,170	16,120

13 Investment Properties

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:

Investment Properties Income and Expenditure		
2011/12		2012/13
£000		£000
78	Rental income from investment property	84
78	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		
2011/12		2012/13
£000		£000
4,730	Balance at start of the year	2,780
	Net gains/losses from fair value adjustments	509
	<i>Transfers:</i>	
	- To/from Non-Operational Assets	60
(1,950)	- To/from Assets Held for Sale	
2,780	Balance at end of the year	3,349

14 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 2012 £000	31 Mar 2013 £000	31 Mar 2012 £000	31 Mar 2013 £000
Investment				
Loans and receivables			1,860	931
Total investment			1,860	931
Debtor				
Loans and receivables			331	269
Total debtors			331	269
Borrowings				
Financial liabilities at amortised cost	3,506			3,524
Total borrowings	3,506			3,524
Creditors				
Financial liabilities at amortised cost			2,051	1,370
Total creditors			2,051	1,370

* During 2012/13 the Authority carried out an exercise to improve its disclosures of loans and receivables and this resulted a reduction being made to the published figures in 2011/12 of £0.249m.

Financial Instruments Gains/Losses

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

2012/13	Liabilities measured at amortised cost	Loans and Receivables	
	£000	£000	£000
Interest Expense	53		53
Interest payable and similar charges (note 10)	53		53
Interest Income		(21)	(21)
Interest receivable and similar (note 10)		(21)	(21)
Net gain/loss for the year	53	(21)	32

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 2012		31 March 2013	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
		£000	£000	£000	£000
Loans and Receivables	Investments	1,860	1,860	931	931
	Debtors	331	331	269	269
		2,191	2,191	1,200	1,200
Financial Liabilities at amortised cost	Borrowings	3,506	3,512	3,506	3,524
	Creditors	2,051	2,051	1,370	1,370
		5,557	5,563	4,876	4,894

15 Assets Held for Sale

	Current	
	2011/12 £000	2012/13 £000
Balance outstanding at start of the year	213	2,046
<i>Asset newly classified as held for sale:</i>		
- Property, Plant and Equipment	97	122
- Investment Property	1,950	
Revaluation gains		772
<i>Asset declassified as held for sale:</i>		
Asset sold	(214)	(98)
Balance outstanding at end of the year	2,046	2,842

16 Long Term Debtor

31 March 2012 £000		31 March 2013 £000
20	Other entities and individuals	16
20	Total	16

17 Short Term Debtors

31 March 2012 £000		31 March 2013 £000
371	Central government bodies	66
241	Other local authorities	407
1,189	Other entities and individuals	1,161
(390)	Impairment allowance for doubtful debt	(417)
1,411	Total	1,217

18 Cash and Cash Equivalents

31 March 2012 £000		31 March 2013 £000
71	Cash held by the Authority	53
2,254	Bank current accounts	1,287
(465)	Unpresented Cheques	(409)
1,860	Total	931

19 Short Term Creditors

31 March 2012 £000		31 March 2013 £000
0	Central government bodies	(48)
(1,306)	Other local authorities	(737)
(1,967)	Other entities and individuals	(5,296)
(3,273)	Total	(6,081)

20 Provisions

		Final Settlement: New Office Construction	Severance Costs	Total
Balance as at	1 April 2012	0	(6)	(6)
Amounts used in 2012/13				
Balance as at	31 March 2013	0	(6)	(3)

Severance Costs - During 2010/11 the Authority carried out a restructuring exercise and as a result terminated the contracts of a number of staff. Costs in relation to this exercise were incurred and estimates were charged to the provision with an amount still outstanding as at 31 March 2013

21 Long Term Borrowing and Other Long Term Liabilities

31 March 2012 £000		31 March 2013 £000
(3,506)	Other entities and individuals	
(3,506)		0
(16,994)	Other Long Term Liabilities	(18,767)
(232)	Capital Grants Receipts in Advance	(213)
(20,732)	Total	(18,980)

22 Unusable Reserves

31 March 2012		Notes	31 March 2013
£000			£000
5,149	Revaluation reserve	23	6,649
7,283	Capital Adjustment Account	24	6,862
(16,994)	Pensions Reserve	25	(18,767)
27	Collection Fund Adjustment Account	26	13
(82)	Accumulating Compensated Absences Adjustment Account	27	(88)
(4,617)	Total Unusable Reserves		(5,332)

23 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.

2011/12		2012/13
£000		£000
5,202	Balance as at 1 April	5,149
0	Upward revaluation of assets	2,040
0	Downward revaluation of assets and impairment losses not posted to the Surplus on the Provision of Services	(490)
0	Surplus or deficit on revaluation of non-current assets not posted to the Surplus on the Provision of Services	1,550
(34)	Difference between fair value depreciation and historical cost depreciation	(47)
(19)	Accumulated gains on assets sold or scrapped	(3)
(53)	Amount written off to the Capital Adjustment Account	(50)
5,149	Balance as at 31 March	6,649

24 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The Account 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 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2011/12		2012/13
£000		£000
8,493	Balance as at 1 April	7,283
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
(1,130)	Charges for Depreciation and impairment of non current assets	(1,155)
(699)	Revenue expenditure funded from capital under statute	(539)
(259)	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)
(2,088)		(1,805)
53	Adjusting amounts written out of the Revaluation Reserve	50
(2,035)	Net written out amount of the cost of non current assets consumed in the year	(1,755)
	Capital financing applied in the year:	
217	Use of the Capital Receipts Reserve to finance new capital expenditure	304
258	Capital grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing	424
271	Capital Grant Applied	97
79	Capital expenditure charged against the General Fund	0
825		825
	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Account	509
7,283	Balance as at 31 March	6,862

25 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.

2011/12		2012/13
£000		£000
(12,340)	Balance as at 1 April	(16,994)
(4,254)	Actuarial gains or losses on pension assets and liabilities	(1,150)
(1,029)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(1,129)
629	Employer's pension contributions and direct payments to pensioners payable in the year	506
(16,994)	Balance as at 31 March	(18,767)

26 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.

2011/12 £000		2012/13 £000
42	Balance as at 1 April	27
(15)	Amount by which council tax income credited to the Comprehensive Income and expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(14)
27	Balance as at 31 March	13

27 Accumulated Absences Account

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.

2011/12 £000		2012/13 £000
(87)	Balance as at 1st April	(82)
5	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.	(6)
(82)	Balance as at 31st March	(88)

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

2011/12 £000		2012/13 £000
499	Depreciation	561
632	Impairment and downward valuations	594
0	Revaluation of Investment Properties	(509)
2,222	(Decrease)/Increase in creditors	(607)
(236)	(Increase)/Decrease in debtors	198
259	Carrying Value of Non Current Assets Disposed	111
1,029	Movement in Pension Liability	1,129
(629)	Pension Payable for year	(506)
(247)	(Decrease)/Increase in Provision	(3)
26	(Decrease)/Increase in Capital RIA	(19)
0	Other Movements	1
3,555		950

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

2011/12 £000		2012/13 £000
(276)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(88)
(276)		(88)

30 Cash Flow Statement – Operating Activities

The cash flow for operating activities includes the following items:

2011/12 £000		2012/13 £000
16	Interest Received	21
(53)	Interest Paid	(53)

31 Cash Flow Statement – Investing Activities

2011/12 £000		2012/13 £000
(874)	Purchase of Property, Plant & Equipment, Investment Property and intangible assets	(377)
276	Proceed from Disposal	88
(598)	Net cash flows from investing activities	(289)

32 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 amortizations 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 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

	Housing and Economy	Corporate Director	Environment and Community	Total
Income and Expenditure 2011/12	£000	£000	£000	£000
Fees, charges and other service income	(597)	(108)	(1,835)	(2,540)
Interest and investment income	0	(16)	0	(16)
Government grants	(16,589)	0	0	(16,589)
Total Income	(17,186)	(124)	(1,835)	(19,145)
Employee expenses	913	787	1,243	2,943
Other service expenses	16,824	943	3,014	20,781
Interest payments	0	53	0	53
Total Expenditure	17,737	1,783	4,257	23,777
Net Expenditure	551	1,659	2,422	4,632

Reconciliation of Service Income and Expenditure to Service 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 Income and Expenditure Statement

2011/12 £000		2012/13 £000
4,632	Net expenditure in the analysis	4,382
1,673	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	2,162
6,305	Cost of Services in Comprehensive Income and Expenditure Statement	6,544

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 £000	Amounts not reported to management for decision making £000	Amount not included in I&E £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Cost of services £000
2012/13							
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	78			3,290	551	3,841
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						24	24
Total Expenditure	24,120	1,772	(57)	2,947	28,782	962	29,744
Surplus or Deficit on the Provision of Services	4,382	1,698	464	0	6,544	(5,042)	1,502

	Analysis £000	Amounts not reported to management for decision making £000	Amount not included in I&E £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Cost of services £000
Comparative Figures							
2011/12							
Fees, charges and other service income	(2,540)	282	(374)	(3,378)	(6,010)	(351)	(6,361)
Interest and investment income	(16)		16		0	(16)	(16)
Income from council tax					0	(5,516)	(5,516)
Government grants	(16,589)				(16,589)		(16,589)
Total Income	(19,145)	282	(358)	(3,378)	(22,599)	(5,883)	(28,482)
Employee expenses	2,943	16	(40)		2,919	420	3,339
Other service expenses	20,781	699	(3)		21,477		21,477
Support Service recharges				3,378	3,378		3,378
Depreciation, amortisation and impairment		1,130			1,130		1,130
Interest Payments	53		(53)		0	53	53
Precepts & Levies					0	779	779
Gain or Loss on Disposal of Fixed Assets					0	(16)	(16)
Total Expenditure	23,777	1,845	(96)	3,378	28,904	1,236	30,140
Surplus or Deficit on the Provision of Services	4,632	2,127	(454)	0	6,305	(4,647)	1,658

33 Members Allowances

	2011/12 £000	2012/13 £000
77 Basic Allowance		77
64 Special Responsibility Allowance		64
12 Expenses		13
153 Allowances paid in the year		154

34 Officers Remuneration

Senior Officers emoluments – salary is between £50,000 and £150,000 per year 2012/13. The figures for 2011/12 are provided for comparison purposes.

Post Title	Year	Salary, Fee and Allowances £	Expenses Allowance £	Pension Contribution £	Total £
Chief Executive	2011/12	62,371	405	8,093	70,869
	2012/13	62,381	340	8,093	70,814
Corporate Director	2011/12	59,594	172	7,725	67,491
	2012/13	59,594	302	7,725	67,621
Total	2011/12	121,965	577	15,818	138,360
	2012/13	121,975	642	15,818	138,435

The officers detailed in the table above are included in the numbers reported in the table below.

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

Remuneration Band	2011/12 Number of employees		2012/13 Number of employees	
	Total	Left During Year	Total	Left During Year
£55,000 - £59,999	1		1	
£60,000 - £64,999	1		1	
£65,000 - £69,999				
£70,000 - £74,999	2	2		

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 received in compensation for redundancy.

Exit Package Cost Band (including special payments)	Number Of Compulsory Redundancies		Number Of Other Departures Agreed		Total Number Of Exit Packages By Cost Band		Total Cost Of Exit Packages In Each Band	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
£100,001 - £150,000	1		0		1		£127,426	
Total	1	0	0	0	1	0	£127,426	£0

35 External Audit Costs

2011/12 £000	2012/13 £000
88 Fees payable to external auditors with regards to external audit services carried out by the appointed auditor for the year	56
23 Fees paid to external auditors for the certification of grant claims and returns for the year	20
111 Total	76

36 Grant Income

Contributions and donations to the Comprehensive Income and Expenditure Statement		
	2011/12 £000	2012/13 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(597)	(43)
New Homes Bonus	(111)	(219)
Local Services Support Grant	(70)	(50)
Council Tax Freeze Grant	(49)	(49)
Capital Grants and Contributions	(65)	(71)
Section 106 Agreement		(164)
Disabled Facilities Grant	(208)	(236)
Total	(1,100)	(832)
Credited to Services		
DWP - Housing Benefit Subsidy	(12,864)	(13,172)
DWP - Council Tax Benefit Subsidy	(3,196)	(3,143)
DSS - Benefit Administration Grant	(326)	(279)
Rent Rebate Grant	(63)	(58)
NNDR Cost of Collection Grant	(74)	(73)
Homelessness Grant	(50)	
Mortgage Rescue Programme Grant	(60)	
Big Lottery	(9)	
Section 106 Agreements	(47)	
DHP Grant	(11)	(12)
DCLG Benefit Admin Grant		(100)
New Burden Grant		(38)
Improvement Funding	(24)	
Troubled Families		(7)
EDF - Hinkley C S106 Contribution	(93)	(781)
EDF - Planning Performance Agreement Contribution	(310)	
Other Grants and Contributions	(85)	(58)
Total	(17,212)	(17,721)

* Disabled Facilities Grant – This has been credited to Taxation and Non-Specific Grant Income in the 2012/13 Statement of Accounts. However in the 2011/12 audited Statement of Accounts this note incorrectly included it under the heading of 'Credited to Services'.

Also during 2012/13 an exercise was undertaken to further breakdown monies credited to services within the Comprehensive Income and Expenditure Statement. This will provide the readers of the Statement of Accounts with greater clarity of the grant income received by the Authority during 2011/12 and 2012/13.

37 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 it's 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 2012/13, 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 2012/13. 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 £0.007m.

During 2012/13 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 £0.012m and £0.038m being made respectively.

Grant payments, other than precepts were also made to Parish Councils where District Council 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 2012/13 other than Precept payments amounted to £0.059m.

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 2012/13.

Related party transactions with the precepting bodies are disclosed on page 47, note 48 and with the pension fund which is on pages 40-43, note 41 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 2012/13 are as follows:

	2012/13 £000
Amounts due to Central Government	48
Amounts due to other Local Authorities	737
Amounts due from Central Government	66
Amounts due from other Local Authorities	407

38 Capital Expenditure and Capital Financing

2011/12 £000		2012/13 £000
7,368	Opening Capital Financing Requirement	7,658
	<u>Capital Investment</u>	
322	Property, Plant and Equipment	164
97	Assets Held for Sale	122
699	Revenue Expenditure Funded from Capital under Statute	539
	<u>Sources of finance</u>	
(217)	Capital receipt	(304)
(532)	Government Grant and other contributions	(521)
	<u>Sums set aside from revenue</u>	
(79)	Direct revenue contributions	0
7,658	Closing Capital Financing Requirement	7,658
	<u>Explanation of movements in year</u>	
290	Increase / (Decrease) in underlying need to borrowing (unsupported by government financial assistance)	0
290	Increase/(decrease) in Capital Financing Requirement	0

39 Leases

Authority as Lessee

Finance Leases

The Authority holds a couple of 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 2012 £000	31 March 2013 £000
Land and Buildings	33	39
Total	33	39

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:

	2011/12 £000	2012/13 £000
Not later than one year	107	89
Later than one year and not later than five years	168	301
Later than five years	220	139
	495	529

The expenditure charged to the Comprehensive Income and Expenditure Statement during 2012/13 in relation to these leases was £0.106m.

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 District 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 District Council under non-cancellable leases in future years are as follows:

	2011/12 £000	2012/13 £000
Not later than one year	124	109
Later than one year and not later than five years	271	373
Later than five years	2,298	2,540
	2,693	3,022

40 Impairment Losses

During 2012/13 an exercise was undertaken in relation to the value of the Authority's IT assets. Historically during the implementation of major IT projects additional costs had been capitalised as part of the overall project and therefore included in the value of the asset. Results of this exercise have meant that an amount of £0.178m has been removed from the value of IT assets resulting in an impairment charge being made within the 2012/13 Statement of Accounts.

Other 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 2013.

41 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 Somerset County Council. 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	2011/12 £000	2012/13 £000
Comprehensive Income and Expenditure Statement		
<u>Cost of services:</u>		
- Current service cost	436	578
- Settlements and curtailments	173	0
<u>Financing and Investment Income and Expenditure:</u>		
- Interest cost	1,548	1,477
- Expected return on scheme assets	(1,128)	(926)
Total Post Employment	1,029	1,129
<u>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:</u>		
- Actuarial gains and losses	(4,254)	(1,151)
Total Post Employment Benefit Charged to the Income and Expenditure Statement	(4,254)	(1,151)
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	(1,029)	(1,129)
<u>Actual amount charged against the General Fund balance for pensions in the year:</u>		
- Employers contributions payable to scheme	629	506

The cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure in the actuarial gains or losses on pensions assets and liabilities line was at 31 March 2013 a loss of £9.025m and at 31 March 2012 was a loss of £7.874m.

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 Scheme	
	2011/12 £000	2012/13 £000
Opening balances as at 1 April	28,635	32,651
Current service cost	436	578
Interest Cost	1,548	1,477
Contributions by scheme participants	145	151
Actuarial gains and losses	3,447	2,630
Benefits Paid Out	(1,641)	(1,148)
Curtailments	173	0
Unfunded Pension Payments	(92)	(96)
Closing balance as at 31 March	32,651	36,243

Reconciliation of fair value of scheme assets:

Reconciliation of Fair Value of the Scheme Assets	2011/12	2012/13
	£000	£000
Opening balances as at 1st April	16,295	15,657
Expected rate of return	1,128	926
Actuarial gains and losses	(807)	1,479
Employer contributions	629	506
Contributions by scheme participants	145	151
Benefits paid	(1,733)	(1,243)
Closing balance as at 31st March	15,657	17,476

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 £2.405m (2011/12 £0.321m).

Scheme History	2008/09	2009/10	2010/11	2011/12	2012/13
	£000	£000	£000	£000	£000
Present value of liabilities:	(21,988)	(32,592)	(28,635)	(32,651)	(36,243)
Fair value of assets in the Local Government Pension Scheme	11,613	15,557	16,295	15,657	17,476
Surplus/(deficit) in the scheme:	(10,375)	(17,035)	(12,340)	(16,994)	(18,767)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £18.767m 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 £1.695m. However statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The above liability is split between funded obligations (£17.287m) and unfunded obligations (£1.480m).

The total projected contribution the Council expects to make to the Local Government Pension Scheme in the year to 31 March 2014 is £0.411m.

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 County Council 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 2010.

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

Basis for Estimating Assets and Liabilities	Local Government Pension Scheme	
	2011/12	2012/13
<u>Long-term expected rates of return on:</u>		
- Equity investments	6.6%	6.3%
- Gilts	3.3%	3.0%
- Other Bonds	4.6%	4.1%
- Property	5.7%	5.4%
- Cash	3.0%	0.5%
<u>Longevity at 65 for current pensioners</u>		
- Men	20.0	20.1
- Women	24.0	24.1
<u>Longevity at 65 for future pensioners</u>		
- Men	22.0	22.1
- Women	25.9	26.0
Rate of inflation - RPI	3.3%	3.3%
Rate of inflation - CPI	2.5%	2.5%
Rate of increase in salaries	4.7%	4.7%
Rate of increase in pensions	2.5%	2.5%
Rate for discounting scheme liabilities	4.6%	4.2%

An assumption has been made that 50% of retiring members will opt to increase their lump sums to the maximum allowed.

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

	2011/12	2012/13
Equities	71%	72%
Gilts	6%	8%
Other bonds	13%	11%
Property	9%	8%
Cash	1%	1%
Total	100%	100%

History of experience gains and losses

The actuarial gains/losses identified as movements on the Pension Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

	2008/09		2009/10		2010/11		2011/12		2012/13	
	£000	%	£000	%	£000	%	£000	%	£000	%
Differences between the expected and actual return on assets	(5,304)	(45.7)	3,263	21.0	7	0.0	(807)	(5.2)	1,479	8.5
Experience gain and losses on liabilities	0	0.0	0	0.0	612	2.1	0	0.0	(35)	(0.1)

42 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 2013 the Council owned one such property, 21 Clanville Grange for which it paid £0.093m. 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.

43 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 District Council upon commencement of earthworks at the Hinkley Point site. The Council, EDF Energy and Government remain hopeful that the project will proceed in earnest next financial year (2014/15). 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.

44 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 annual treasury management strategy which incorporates the prudential indicators was approved by Council on 21 March 2012 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2012/13 was set at £10.0m. This is the maximum limit of external borrowings or other long-term liabilities.
- The Operational Boundary was expected to be £7.50m. 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 full Investment Strategy for 2012/13 was approved by Full Council on 21 March 2012 and is available on the Council's website. Full Council approved the current strategy on 27 March 2013.

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 2012	31 March 2013
Less than three months	95,900	97,800
Three to six months	59,400	26,600
Six months to one year	76,200	65,200
More than one year	562,500	523,000
Total	794,000	712,600

At the beginning of 2012/13 the provision for impairment of sundry debts (excluding council tax) stood at £0.352m. The Authority has now made a provision for impairment of sundry debts of £0.376m in the 2012/13 accounts, which is an overall increase of £0.024m. 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 2012	31 March 2013	Notes
Public Works Loans Board	3,500	3,500	Repayable in Feb 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.

Collection Fund

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

2011/12 £000		Notes	2012/13 £000
	Income		
(9,551)	Business Rates	45	(10,241)
(18,361)	Council Tax		(18,666)
(3,166)	Council Tax Benefits : Transfer from General Fund		(3,111)
(31,078)	Total Income		(32,018)
	Expenditure		
	<u>Precepts and Demand:</u>		
15,154	- Somerset County Council	48	15,189
2,479	- Police & Crime Commissioner for Avon & Somerset	48	2,485
1,059	- Devon and Somerset Fire and Rescue Authority	48	1,093
1,961	- West Somerset District Council	48	1,965
776	- Parish Councils	48	840
	<u>Business Rates</u>		
9,476	- Payment to National Pool	45	10,167
75	- Costs of Collection	45	74
	<u>Bad and doubtful debts/appeals</u>		
16	- Write offs - Council Tax		56
40	- (Decrease)/Increase in provision for bad debts - Council Tax		0
	<u>Distribution of Council Tax element of surplus on fund:</u>		
116	- Somerset County Council		184
19	- Police & Crime Commissioner for Avon & Somerset		30
8	- Devon and Somerset Fire and Rescue		13
20	- West Somerset District Council		33
31,199	Total Expenditure		32,129
121	Deficit / (Surplus) for the year		111
(329)	(Surplus) / Deficit brought forward		(208)
(208)	(Surplus) / Deficit carried forward		(97)

45 Business Rates

2011/12 £		2012/13 £
31,447,551	Total non-domestic rateable value at end of year (31 March)	31,400,231
43.3p	National non-domestic rate multiplier for the year	45.8p
42.6p	Small business non-domestic rate multiplier for the year	45.0p

2011/12 £000		2012/13 £000
13,631	NDR Debit (Gross)	14,381
(4,080)	Allowances and other adjustments	(4,140)
9,551	Contribution to the NDR National Pool (Gross)	10,241
	Reduction in the impairment allowance for doubtful claims	
(75)	Cost of collection allowance	(74)
9,476	Contribution to the NDR National Pool (Net)	10,167

46 Council Tax Base

Band	Chargeable Dwellings	Conversion Factor	Band D Equivalent	Income £000
A	2,309	6/9	1,539	2,245,826
B	3,325	7/9	2,586	3,773,033
C	3,245	8/9	2,884	4,208,289
D	2,994	9/9	2,994	4,368,126
E	1,632	11/9	1,995	2,910,139
F	1,162	13/9	1,678	2,448,783
G	615	15/9	1,024	1,493,975
H	42	18/9	84	122,553
	15,324		14,785	21,570,724

47 Council Tax Amount (Band D)

2011/12 £		2012/13 £
1,027.30	Somerset County Council	1,027.30
168.03	Police & Crime Commissioner for Avon & Somerset	168.03
71.77	Devon and Somerset Fire and Rescue Authority	73.92
132.90	West Somerset District Council	132.90
52.63	Parish/Town Councils	56.81
1,452.63	Total	1,458.96

48 Precepts and Demands

2011/12 £000		2012/13 £000
15,154	Somerset County Council	15,189
2,479	Police & Crime Commissioner for Avon & Somerset	2,485
1,059	Devon and Somerset Fire and Rescue Authority	1,093
1,961	West Somerset District Council	1,965
776	Parish/Town Councils	840
21,429	Total	21,572

49 Allocation of Year End Surplus

2011/12 £000		2012/13 £000
146	Somerset County Council	68
24	Police & Crime Commissioner for Avon & Somerset	11
11	Devon and Somerset Fire and Rescue Authority	5
27	West Somerset District Council	13
208	Total	97

Annual Governance Statement

Scope of responsibility

West Somerset District Council (WSDC) 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.

WSDC 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, WSDC 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.

WSDC 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 WSDC 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 its 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 WSDC'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 WSDC for the year ended 31 March 2013 and up to the date of approval of the Statement of Accounts.

The governance framework

The key elements of WSDC'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 District 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 and vision for West Somerset District Council
- Service Plans are clearly linked to the Corporate Plan and Medium-Term Financial Plan. They identify the performance measures and targets that will be used to ensure the services achieve the agreed objectives. Performance is reported quarterly
- The Council approved a treasury management strategy and an annual investment strategy during the year, which included its prudential indicators, in accordance with the CIPFA code
- The Authority is a statutory member of the Safer Somerset Community Safety Partnership which has a Community Safety Partnership Plan and works in partnership with other public bodies to tackle crime and disorder together with anti-social behaviour; drug and alcohol abuse; re-offending and environmental harm
- The Council is currently working on a business case, with Taunton Deane Borough Council, to explore the potential benefits of sharing management and service delivery

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

- The roles and responsibilities of the Cabinet, Scrutiny Committee, Members in general and senior officers are clearly set out within the Council's constitution
- The Council's Chief Financial Officer (CFO) is currently seconded on a part-time basis from Somerset County Council
- The Chief Financial Officer is a Chartered Public Finance Accountant, and is responsible for maintaining a robust system of internal control
- The Council's Corporate Management Team (CMT) meet weekly, covering both strategic and operational items
- Regular weekly meetings between the Leader and Chief Executive in order to maintain a shared understanding of roles and objectives
- Portfolio Holders meet at least monthly with their appropriate lead officers to discuss current and future issues affecting the services and the public and to monitor performance under the service planning framework
- There is a clear scheme of delegation for officers and Members within the Constitution
- The Council has robust financial planning processes, including the preparation of a medium-term financial plan and an annual budget that is monitored regularly throughout the year
- The Chief Executive's annual 'Personal Development Review' where clear priorities and targets are set is undertaken by the Leader of Council, the Lead Member for Finance & Resources and the Leader of the Democratic Alliance
- The Corporate Management Service Plan contains the priority to ensure that CMT monitors its responsibilities under the governance arrangements on a quarterly basis and identify any exceptions. The Corporate Director has drafted a checklist to assist with this monitoring

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

- The Standards Advisory Committee promotes high standards of behaviour by members, reviewing policies and laws relating to members' behaviour. The committee consists of three district councillors, three town/parish councillors and three independent members, one of whom is chairman, to demonstrate independence and objectivity
- During 2012/13, two formal complaints against councillors under their Code of Conduct were received or being processed, one of which has been completed and one is still ongoing
- Managers are responsible for making sure members of staff keep to policies, procedures, laws and regulations. The financial management of the Council is conducted in accordance with its

financial regulations and contract standing orders – part of the constitution and updated in each year

- 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 Accountancy (CIPFA)

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

- 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 latest review being undertaken by full Council in March 2013
- 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 and monitored
- In order to ensure that day-to-day business of the Council considers risk within its decision-making processes each committee report must include risk management comments to help inform members' decisions. All high risks are recorded within the central risk register and all other risks are managed within the service plans
- 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
- The Council has an effective internal audit function provided by SWAP
- Regular budget monitoring reports are sent to budget holders; monthly reports are made to Corporate Management Team and quarterly reports to members through the performance report
- The CFO/Section 151 Officer has direct access to the Chair of Audit Committee and the Authority's external auditors
- The CFO/Section 151 Officer meets the Chief Executive weekly
- All transactions over £500 are published on the internet for public perusal, as is senior management remuneration

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

- The Council has a performance 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
- Job descriptions are in place for all posts
- There is a new Member induction programme and Members have the opportunity to attend appropriate training courses/workshops
- All service managers are currently undertaking training provided by the Institute of Leadership and Management

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

- Area panels ensure local accountability and local access – these are attended by the Chief Executive or Corporate Director
- An annual customer satisfaction survey is sent to all households and its findings influence future service and budget planning
- Customer complaints/compliments are regularly monitored and feed into service delivery

- As a result of budget savings proposed by the Cabinet, representations were received from a number of organisations that were potentially impacted by the proposals
- A summarised Statement of Accounts is available on the Council's website
- Regular 'under the spotlight' staff briefings undertaken by the Chief Executive

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 District 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 SWAP, the Council's internal auditors, and the Corporate 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:

- 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 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 Plans. It also has a call in role for any service that receives a "partial" or "no assurance" audit opinion
- Internal Audit through SWAP is responsible for monitoring the quality and effectiveness of systems of internal control. The Audit Service has a charter approved by the Council and there are no restrictions on the scope of their work. A risk model is used to formulate the plan and approved by the Audit Committee. The reporting process for Internal Audit requires a report of each audit to be submitted to the service lead officer with copies to the relevant Corporate Manager and the Section 151 Officer. All audit reports include an 'opinion' that provides management with an independent judgement on the adequacy and effectiveness of internal controls. Reports include recommendations for improvement that are detailed in an action plan that is agreed with the service lead officer
- 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
- The Council's Financial Regulations are kept under continuous review and revised annually – the last review was approved in December 2012
- All members of CMT have completed and signed a Statement of Internal Control

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

Significant governance issues

The Council's vision is "To enable people to live, work and prosper in West Somerset".

The compilation of the Business Case on shared working with Taunton Deane Borough Council poses a challenge to the Authority as it seeks to keep governance separate whilst joining management and service delivery. The objective is to maintain local democracy and accountability. This will require clear parameters to be set and clarity on working arrangements within any shared service. A dedicated project team has been set up and arrangements made to support this where necessary.

With the possible Hinkley Point development there is an objective to maximise opportunities for communities whilst also protecting the local community. Staff have been appointed on fixed term

contracts to support the work being undertaken in for example housing, planning and tourism. Regular reports are taken to Council on the governance and progress of the project.

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 District Council:

Signed:

Deputy Leader of the Council

Signed:.....

Chief Executive

Glossary of Terms

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

is 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

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 Financing Charges

represent, in the main, the cost to the Capital Financing Reserve of repaying loans, excluding interest, or the direct cost of acquiring assets, etc, in the year.

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), New Homes Bonus and Area Based Grant (ABG) – 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. ABG is a general grant allocated directly to local authorities as additional revenue funding to areas. 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 in aid of services in which central government have a more direct involvement.
- Supplementary grants – grants in aid of 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.

Component Accounting

is when significant components of non-current assets are depreciated separately over their useful life.

Comprehensive Income and Expenditure Statement (CIES)

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

Consistency

is one of the fundamental accounting concepts. It requires accountants to treat similar items of income and expenditure the same way - both within an accounting period and from one accounting period to the next.

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 are thus 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 logical 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.

Emoluments

Are the cash payments or payments in-kind an employee is entitled to. Pension contributions are not an emolument.

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)

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 District 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

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

Liability

must be included in the financial statements when West Somerset District 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.

Liquid Resources

are current assets, which are readily convertible into cash at, or close to its carrying amount.

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.

Prudence

is one of the main accounting concepts. It ensures West Somerset District Council only includes income in its accounts if it is sure it will receive the money.

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 Transaction

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

is a new reserve, which 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

are capital grants made by West Somerset to another organisation or person. This counts as capital expenditure but it does not create an asset that belongs to West Somerset District Council. The expenditure is charged to the balance sheet, but it is then reversed out through the Capital Adjustment Account to the revenue account.

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.