# Taunton Deane Borough Council

## Corporate Governance Committee – 28 September 2015

## Approval of the Statement of Accounts 2014/15

**Report of the Assistant Director Resources**
This matter is the responsibility of Executive Councillor Williams (Leader of the Council)

**1 Executive Summary**

> The Statement of Accounts for 2014/15 is required to be approved by the Corporate Governance Committee and signed by the s.151 Officer (Shirlene Adam) and the Chair of the Corporate Governance Committee (Councillor Mrs Stock-Williams). The Statement of Accounts document is attached to this report.
>
> This report also links to and reflects the Audit Findings Report which was prepared by and will be presented by the Council's external auditors – Grant Thornton UK LLP.

**2 Background**

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

2.2 The s.151 officer is required to sign off the unaudited Draft Accounts as true and fair by 30 June each year. The audited Statement of Accounts must be approved by Committee by 30 September each year. Once approved the Statement must be signed by the s.151 Officer and the Chair of the Corporate Governance Committee, and published on the Council's website.

2.3 The Council's Statement of Accounts has been audited this year by Grant Thornton UK LLP and is attached to this report. At the time of writing this report, Grant Thornton intend to issue an unqualified opinion, as reported in the Audit Findings Report earlier on the agenda for this meeting. However it should be noted that Grant Thornton are finalising a few areas of their work which will be completed by the date of the committee. Should there be any adjustments to the Statement of Accounts subsequent to this report being issued this will be reported at the Committee meeting.

## 3 Statement of Accounts

3.1 The Statement of Accounts for 2014/15 has been prepared on an IFRS (International Financial Reporting Standards) basis in line with the CIPFA (Chartered Institute of Public Finance Accounting) Code of Practice on Local Authority Accounting in the UK 2014/15.

3.2 In 2014/15 there were no significant changes to our accounting requirements which might have made it necessary to change the comparative financial details related to 2013/14.

3.3 There are no material errors related to previous years, or other material changes to accounting requirements, therefore no other changes to comparative financial details related to 2013/14 have been made.

3.4 The Statement of Accounts contain four main statements reflecting the position of the Council at 31 March 2015:

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

3.5 There are also supplementary statements related to the Collection Fund (which deals with the collection and distribution of Council Tax and Business Rates) and the Housing Revenue Account.

### Movement in Reserves Statement

3.6 This account shows the changes in the Council's financial resources over the year by showing the movement on the reserves held. These are analysed into Usable Reserves (these can be used to fund spending) and Unusable Reserves (reserves that cannot be spent as they contain technical accounting adjustments that do not represent available funding).

3.7 The total of the Council's Usable Reserves (capital and revenue combined) has increased by £7.205m in year. The largest movements are seen in the General Fund earmarked reserves, £2.256m, (principally increases of £1.648m in the new homes bonus reserve and £0.705m in the business rates smoothing reserve), the HRA earmarked reserves, £1.608m, (principally transfers of £0.425m to the new Community Development Fund and £1.174m to new reserves relating to electrical and planned maintenance contracts), and the Major Repairs Reserve, £2.600m, (reflecting funding allocated to, but not yet spent on, capital works on the Housing Stock).

3.8 The Statement shows that both the General Fund and Housing Revenue Account (HRA) balances are above the minimum level required in the

Council’s financial strategy, with General Fund Reserves decreasing from £2.537m to £2.114m, and HRA balances increasing from £3.059m to £3.483m in year.

**Comprehensive Income and Expenditure Statement**

3.9 The Comprehensive Income and Expenditure Statement (CIES) shows the day to day revenue spending and income on the Council’s services. It also shows the council tax and government grants received to help pay for those services. The Comprehensive Income and Expenditure Statement shows the net cost on an “accounting basis” which includes accounting adjustments such as depreciation, impairment and revaluation losses, and other types of accounting adjustments. These adjustments are then reversed out in the Movement in Reserves Statement to show the “funding” position of the Council. Included in the Comprehensive Income and Expenditure Statement is the Housing Revenue Account (HRA) but there is also a separate HRA Statement included in the Statement of Accounts which is explained further on in this report.

3.10 The net Cost of Services has increased by around £2.5m compared to the previous year’s accounts. This mainly reflects the changes in pension costs as a result of sensitivity to changes in actuarial assumptions and market conditions.

3.11 The Financial Outturn position for 2014/15 was reported to the Executive and Corporate Scrutiny meetings in July and August respectively. This included information relating to the Council’s financial performance for the 2014/15 financial year. The reports highlighted key variances to the budget and provided explanations for these.

**Balance Sheet**

3.12 The Balance Sheet provides a snapshot of the Council’s financial position as at 31 March 2015 (with comparatives for 31 March 2014).

3.13 The Balance Sheet shows that net assets have decreased by £11m in 2014/15, to a balance of £163m as at March 2015. There has been an increase of £25m in the pension scheme liability (principally as a result of actuarial remeasurements) which is partially offset by increases of £8m in property plant and equipment (mainly due to revaluation increases in council dwellings) and an increase of £6m in cash and cash equivalents (reflecting the increase in usable reserves).

**Cashflow Statement**

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

3.15 Cash and cash equivalents are represented by the following: cash in hand; deposits with financial institutions repayable without penalty on notice of not more than 24 hours; and investments that mature in one month or less from the date of the balance sheet and are readily convertible into cash.

3.16 During the year the Council's cash and cash equivalents increased by approximately £6.4m. This reflects the increase in usable reserves.

**Housing Revenue Account**

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

3.18 The HRA for 2014/15 shows that income for the year has increased from 2013/14 by £0.9m, mainly reflecting the approved increase in dwelling rents. Service Expenditure has increased by £0.4m, mainly reflecting increased costs of supervision and management.

**Collection Fund**

3.19 The Collection Fund Statement shows the total amount the Council has collected from rate payers on behalf of, and distributed to, all of the precepting authorities and central government. The major precepting authorities are Somerset County Council, Avon and Somerset Police, Devon and Somerset Fire and Rescue Authority and Central Government. The Council has a statutory obligation to maintain a separate Collection Fund Account.

3.20 The presentation of the statement clearly separates the Council Tax and Business Rates movements and balances. The statement shows that the Council has collected £96.7m on behalf of the precepting authorities and Central Government. This comprises council tax income of £54.9m and business rates income of £41.8m.

3.21 The statement currently shows a small surplus of £1.2m (TDBC share = £126k) in respect of Council Tax and a deficit of £4.9m (TDBC share = £2.0m) in respect of business rates. The deficit in business rates largely reflects the creation of a provision (now totalling £7.3m) in respect of appeals and refunds, which is required under the Business Rates Retention system.

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

4.1 Grant Thornton UK LLP intends to issue the Council with an "unqualified" opinion on the Statement of Accounts and the Value for Money conclusion. This is good news and means that the Auditors agree that the Accounts provide a "true and fair view" of the financial position.

4.2 During the audit there were a small number of amendments to the Draft Accounts to improve the presentation of the statements and correct disclosures – as shown in the Audit Findings Report earlier on this agenda. These were presentational only and did not affect the overall financial position of the Council.

4.3 The auditors have recommended that we update our approach to the rolling programme of asset valuations, so that all assets within the same class are valued in the same reporting period. This is taken as an action for the 2015/16 accounts.

**5 Legal Comments**

5.1 There is a Statement of Responsibilities within the Statement of Accounts, which summarises responsibilities for the Council and its S151 officer. The Accounts are prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, which specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position and transactions of the Council.

5.2 The Code sets out the proper accounting practices required by section 21(2) of the Local Government Act 2003. These proper practices apply to:

- Statements of Accounts prepared in accordance with the statutory framework established by the Accounts and Audit (England) Regulations 2011
- The audit of those accounts undertaken in accordance with the statutory framework established by section 5 of the Audit Commission Act 1998

**6 Links to Corporate Aims**

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

**7 Environmental Implications**

7.1 There are no environmental implications.

**8 Community Safety Implications**

8.1 There are no community safety implications.

**9 Equalities Impact**

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

**10 Risk Management**

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

## 11 Partnership Implications

11.1 There are no partnership implications.

## 12 Recommendations

Members are recommended to:

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

12.2 Approve the 2014/15 Statement of Accounts as attached to this report; then

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

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**Background Papers**

Executive – 8 July 2015: Financial Outturn 2014/15

# TAUNTON DEANE BOROUGH COUNCIL

# STATEMENT OF ACCOUNTS 2014/15

# Contents

# Foreword by the Director of Operations

## A SUMMARY OF THE COUNCIL'S FINANCIAL PERFORMANCE 2014/15

This foreword highlights some of the most important matters reported in the accounts and provides a management commentary on the financial performance and standing of the Council. The commentary is focussed both on the performance in the past year and on issues affecting the Council in 2015/16 and beyond.

In view of the financial pressures facing the Council the external auditors have been looking more closely at the Council's ability to continue as a gong concern. The s151 officer, having made reasonable enquiries, is satisfied that the Council is able to produce the 2014/15 Statement of Accounts on a going concern basis.

## THE FINANCIAL STATEMENTS

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

- The **Movement in Reserves Statement** (pages 29 and 30) shows the changes in the Council's financial resources over the year, by showing the movement on the different reserves held, analysed into 'usable reserves' (that can be used to fund spending) or other reserves
- The **Comprehensive Income and Expenditure Statement** (page 31) brings together details of the Council's day-to-day revenue spending and income on its services, and other gains and losses in the year.
- The **Balance Sheet** (page 32) provides a snapshot of the Council's financial position at 31 March and sets out what is owned and what is owed.
- The **Cash Flow Statement** (page 33) summarises the flows of cash into and out of the Council during the year.
- The **Notes to the Financial Statements** (pages 34-81) provide supplementary information on some of the figures contained within the primary statements. They also include accounting policies, which guide the treatment of income and expenditure, and disclosures relating to the assets and liabilities of the Council.

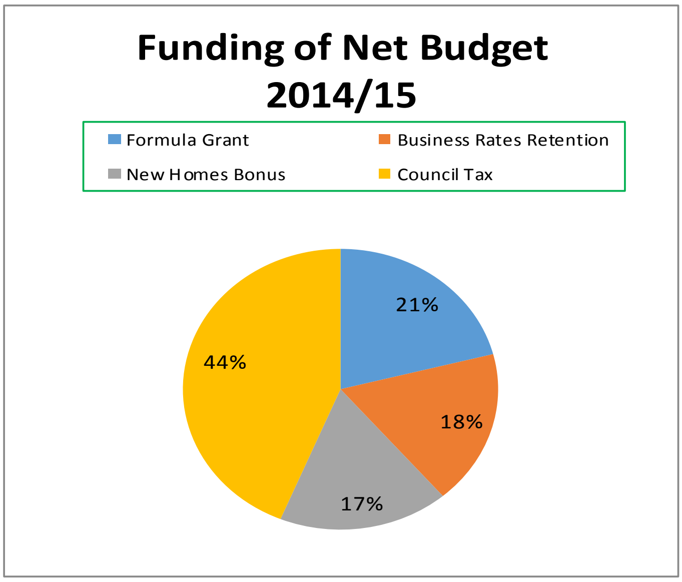
A more detailed explanation is included alongside each of these main statements within the Statement of Accounts.

## FINANCIAL OVERVIEW

### General Fund Revenue Budget and Reserves

The Council's original Net Budget for 2014/15 was £13,188k, representing the net cost of General Fund services funded by grants, business rates and council tax as shown in the following table and graph. Through supplementary budget changes for planned use of reserves the final net budget was £13,901k.

| | £k |
|---|---|
| Revenue support grant | 2,766 |
| Retained business rates | 2,766 |
| Business rates Collection Fund deficit | (421) |
| New Homes Bonus | 2,303 |
| Council tax Collection Fund surplus | 35 |
| Council Tax income | 5,739 |
| Net Budget | 13,188 |



In setting the budget for 2014/15 the Council increased Council Tax by 1.99%, increasing the annual Band D Council Tax to £137.88.

The Council's actual net expenditure before funding in 2014/15 was £13,807k including funding; this results in a reported net underspend on the final budget of £222k (1.7% of Net Budget). The net underspend arose due to variances in several budget areas. The most significant underspends have been reported against Housing Benefits, Off-street Parking Services and Planning Services. These together with other smaller underspends have enabled to the Council to offset budget overspends/shortfalls in arriving at the net position. The following table provides a summary of the financial results for the year compared to budget.

| General Fund Outturn 2014/15 | Budget £k | Actual £k | Variance £k | Variance % |
|---|---|---|---|---|
| Net Expenditure on Services | 12,977 | 13,000 | 23 | 0.2 |
| Other Operating Costs and Income | 279 | 223 | (56) | (20.1) |
| Net Transfer to Earmarked Reserves | 2,940 | 2,024 | (916) | (1.7) |
| Net Transfer from General Reserves | (429) | (429) | 0 | 0 |
| Capital Financing and Debt Repayment | 940 | 1,824 | 884 | 94.0 |
| Technical Accounting Adjustments | (2,806) | (2,835) | (29) | (1.0) |
| **Net Budget before Funding** | **13,901** | **13,807** | **(94)** | **(0.7)** |
| Funding - Grants and Council Tax | (13,901) | (14,029) | (128) | (0.9) |
| **Net Variance** | **0** | **(222)** | **(222)** | |

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

The General Fund Reserves have decreased from £2,537k at the start of the year to £2,114k at 31 March 2015. There were approved transfers to the Revenue Budget of £429k, to fund one-off initiatives, offset by the underspend in the year. Later in this foreword I explain the financial challenges and risks faced by the Council. Having reserves at this level provides some resilience as the Council takes the necessary steps to continue to maintain a robust and sustainable financial position.

The Council also carries Earmarked Reserve balances, which represent funds that have been set aside to support specific spending in future years. The General Fund Earmarked Reserves balance at 31 March 2015 stands at £15,265k. This balance covers a wide variety of known planned spending commitments, including: asset maintenance; growth and regeneration service and project costs; affordable housing investment; funding for approved capital projects; funding for service transformation, a self-insurance fund; business rates funding contingency; grant funding to support urban development in Monkton Heathfield; and a wide variety of other initiatives and service costs. Although this figure appears high in relation to the Council's spending position, the majority of these Earmarked Reserves will be spent during 2016/17.

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

The Council is a major provider of social housing, working closely with housing associations and other social landlords to provide affordable housing for tenants in the Borough. The Housing Revenue Account (HRA) only accounts for the costs and income related to provision of Council-owned accommodation. The Local Government Act 1989 requires that this expenditure is ring-fenced and cannot be subsidised by the General Fund.

The Net Budget for the HRA is £Nil, reflecting the self-financing nature of the account. However, financial performance is measured against the Gross Income budget, which is £26,230k for the year. The HRA has reported a net surplus of £1,269k for 2014/15, which is 4.8% of gross income. The surplus is retained within the HRA, and relates mainly to one-off items including lower than budgeted rent loss through voids, smaller provision required for bad debts, staff savings through vacancies during the period of council restructuring, and reduced spend on responsive maintenance. The following table provides a summary of performance against budget for the year.

| HRA Outturn 2014/15 | Budget £k | Outturn £k | Variance £k | % |
|---|---|---|---|---|
| Gross Income | (26,230) | (26,694) | (464) | (2%) |
| Service Expenditure | 13,271 | 12,526 | (745) | (6%) |
| Other Operating Costs and Income | 2,887 | 2,955 | 68 | 0% |
| Earmarked Reserve Transfers | 1,108 | 1,108 | 0 | 0% |
| Capital Financing and Debt Repayment | 9,556 | 9,557 | 1 | 0% |
| Technical Accounting Adjustments | 252 | 123 | (129) | (51%) |
| Unearmarked Reserve Transfers | (844) | (844) | 0 | 0% |
| **Net Variance** | **0** | **(1,269)** | **(1,269)** | |

The Housing Revenue Account Reserve has increased from £3,059k at the start of the year to £3,484k at 31 March 2015. The year end balance is well above the minimum level set within the Council's financial strategy of £1.8m, providing some resilience for financial and service risks and opportunities.

The HRA Earmarked Reserve balance at 31 March 2015 is £2,222k, an increase of £1,608k in the year. The reserves are committed in a number of areas including: Social Housing Development Fund £112k to support new build and acquisition of additional homes; the balance of a new Community Development Fund to support community projects £425k; planned maintenance contracts re-programmed to start in 2015/16 £1,174k; and a range of other smaller reserves.

**Capital Spending and Reserves**

In addition to our spending on day-to-day service provision, the Council spends money on assets such as buildings, major improvements to parks, and contributions to jointly-financed schemes. Capital expenditure in the year totalled £12,220k (£12,997k in 2013/14). Capital spending comprises £2,351k on General Fund schemes and £9,869k on HRA capital works, as summarised in the table below. The General Fund capital spending related to a wide range of projects which included initial costs for the new swimming pool and spa at Blackbrook, play facilities, disabled facilities grants, area regeneration schemes, and many other smaller projects. HRA capital works are largely related to maintaining housing standards, including replacing roofs, kitchens, bathrooms, windows, doors, heating systems and other related works. Investment in social housing development has seen £4,720k spent on schemes in Taunton, Wellington and West Bagborough.

| General Fund Capital Schemes | £k | HRA Capital Schemes | £k |
|---|---|---|---|
| Blackbrook Pool | 236 | Heating Systems | 1,246 |
| SCCC Loan | 300 | Replacement Roofing | 519 |
| Housing Enabling and Housing Standards | 339 | Kitchens and Bathrooms | 1,289 |
| Play Equipment and Sports Facilities | 502 | Doors and Windows | 675 |
| DLO Vehicles, Plant and Equipment | 354 | Accessibility Aids and Adaptations | 376 |
| Regeneration Schemes | 203 | HRA Buybacks | 672 |
| ICT Equipment | 275 | Devleopment of Additional Dwellings | 4,048 |
| | | Fascias,Soffits and Fire Safety | 677 |
| Other schemes | 142 | Other schemes | 367 |
| **Total** | **2,351** | **Total** | **9,869** |

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

| Sources of Capital Funding | £k |
|---|---|
| Revenue Funding | 3,233 |
| Capital Grants and Contributions | 955 |
| Capital Receipts | 1,132 |
| Borrowing | 2,800 |
| Major Repairs Reserve (HRA) | 4,100 |
| **Total** | **12,220** |

The General Fund Capital Programme has committed approved capital spending in future years of £14,633k. The HRA Capital Programme has committed approved capital spending into future years of £14,793k.

Overall the Council has sufficient resources available to meet its current approved capital programme in 2015/16 but recognises that significant further funds will be required to meet all our future aspirations.

Capital reserves reflect funds set aside to fund investment in capital items in future years, and largely comprise grants, contributions and capital receipts that are committed on projects to be completed in the current approved capital programme. The Council currently holds £16,041k of capital reserves, providing funding for the approved capital spending referred to above. The Council has also approved borrowing of £15,091k to fund approved schemes.

**Pensions**

The Council's share of the overall Pension Fund deficit increased from £67.2m at 31 March 2014 to £92.3m at 31 March 2015. The deficit has increased by 37%, which is largely due to an increase in actuarial losses on pension liabilities.

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

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

**Treasury Management and Capital Resources**

At 31 March 2015, the Council held investments of £33.1m (£26.3m at 31 March 2014). The return on these investments included in the revenue accounts amounted to £0.276m (£0.171m in 2013/14). Total borrowing amounted to £92.3m at 31 March 2015 (£94.4m at 31 March 2014). The cost of borrowing and management of debt charged to the revenue accounts during 2014/15 was £2.606m (£2.769m in 2013/14).

The Council has maintained proactive treasury management through the year to ensure that the Council minimises its interest payable on external borrowings, and invests any temporary cash surpluses to generate investment income whilst minimising risk to our funds. Net returns remain low given the current historically low level of interest rates. We have taken prudent steps to seek increased returns, such as investing in Property Funds which should provide a higher return over the longer term. Like all Councils we are facing increased treasury management risks, mainly due to the Eurozone, and finding a safe place to invest any surplus cash is challenging. The investment strategy is to spread this risk wider with the preservation of cash at the heart of any investment decision.

The Council's capital borrowing is split into two pools. As part of the move to Self-Financing in 2012, the Government has imposed a debt cap for the HRA. This is to limit nationally the scale of public sector borrowing related to housing. For this Council the debt cap during 2014/15 was £115.8m, and the difference between our actual borrowing and the cap is our "headroom" for additional borrowing to support capital investment in our housing stock. The Council's Capital Financing Requirement (CFR), which is effectively our underlying need to borrow for capital purposes, is summarised in the table below. As the table shows, it has only been necessary to externalise debt for part of the CFR amount, as we have been able to use internal cash balances without the need to take out loans from financial institutions. The HRA Business Plan allows for the majority of HRA capital debt (taken on through Self Financing in 2012) to be repaid by 2030.

| General Fund and HRA Capital Financing | General Fund £k | HRA £k | Total £k |
|---|---|---|---|
| Capital Financing Requirement 1 April 2014 | 3,741 | 99,649 | 103,390 |
| Provision for debt repayment during the year | (543) | (510) | (1,053) |
| New expenditure funded through borrowing | 0 | 2,800 | 2,800 |
| Capital Financing Requirement 31 March 2015 | 3,198 | 101,939 | 105,137 |
| Externalised capital borrowing | 0 | 92,268 | 92,268 |
| Expenditure financed by internal cash resources | 3,198 | 9,671 | 12,869 |
| Total Borrowing Requirement | 3,198 | 101,939 | 105,137 |
| Borrowing Headroom for the HRA | n/a | 13,845 | n/a |
| HRA Debt Cap | n/a | 115,784 | n/a |

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

A new Government policy was introduced early in 2012/13, related to the retention of sale proceeds for properties bought by Housing Tenants under the “Right to Buy” scheme. The Invigorating Right to Buy policy gives greater discounts to tenants wishing to purchase their rented council dwelling, and the new incentives have resulted in increased demand for Right to Buy sales to tenants. There were 35 sales in 2014/15 (compared to 47 in 2013/14). This generated total capital receipts of £2,317k in 2014/15 which after allowable deductions for pooling, self-financing debt and transaction costs related to the sold properties, the balance of £1,075k must be allocated to expenditure on replacement affordable homes. Under the agreement with central Government, the use of Right to Buy receipts must not exceed 30% of total spending on new affordable homes; in other words ‘match funding’ of at least 70% is required. In addition, the expenditure must be incurred within 3 years of the receipt. The total amount of additional receipts retained since April 2012 is £3,595k, of which £2,695k has already been allocated towards funding new affordable housing in the development capital programme and the remaining amount is on track to be fully utilised within the timescales with a combination of buy backs and new build development schemes.

**Business Rates Retention**

The Local Government Finance Act introduced the business rates retention scheme in 2013/14 altering the way in which local authorities are funded. This has seen a move away from the previous needs-based formula funding arrangement to one that provides an incentive for local authorities to go for growth to protect and increase a key funding stream for local services under the Localism agenda. The scheme also passes significant risks from central to local government particularly in respect of appeals.

In establishing the new arrangements the Government has set a Business Rates Baseline assessment. For every £1 of additional Business Rates collected above this baseline, the Council will keep 20p (the remainder is passed to central government, the County Council and Fire Authority). However, if Business Rates yield falls below the baseline our residual funding is reduced by 40p in every £1. This places a strong link between local funding and the incentive to sustain and grow the local economy. There is a safety net mechanism which protects our funding from falling too far below the baseline and creating excessive risk to local services. The accounting arrangements for this funding system are complicated and introduce volatility in the amount and timing of funding due.

In 2014/15 there has been a significant increase in rateable value appeals registered with the Valuation Office, with the Gross Rateable Value under appeal increasing from £34m in March 2014 to £48m in March 2015. The Council has had to make appropriate provisions for potential refunds if appeals see a reduction in the amount owed by rate payers. This has had a detrimental impact in 2014/15 with Business Rates Collection Fund recording a deficit of £4,938k. Our 40% share of this deficit will need to be paid into the Collection Fund in 2015/16 and 2016/17 in line with accounting regulations, and we have a smoothing reserve with a balance of £1,970k to manage this requirement and other fluctuations in retained business rates income in future years.

The following table summarises our Business Rates funding in 2014/15.

| | £k |
|---|---|
| Net Business Rates Yield | 37,676 |
| Amount paid to central government | (32,211) |
| Amount paid to County Council and Fire Authority | (3,866) |
| Retained Business Rates by Taunton Deane Borough Council | 1,599 |
| Safety Net Threshold | 2,231 |
| Safety Net Payment due from Government | 632 |

The Council's safety net threshold is £2,231k in 2014/15 and we have accrued a safety net receipt from government of £632k to protect our funding at the threshold. This has been earmarked in the Smoothing Reserve to help fund the recovery of the deficit in the Collection Fund. Business rates income and expenditure is set out in the Collection Fund on page 84.

## IMPORTANT DEVELOPMENTS AND LOOKING TO THE FUTURE

### Budget Challenges

For 2015/16 the Council has produced a balanced budget and has implemented a council tax freeze, keeping the basic Band D Council Tax at £137.88. The Net Budget for the year is £13.2m, funded as shown in the table below. In setting the budget the Council approved the use of £105,000 from general reserves to support one-off spending plans.

| | £k |
|---|---|
| Revenue Support Grant (RSG) | 1,916 |
| Business Rates funding | 2,749 |
| Business Rates Collection Fund Deficit | (709) |
| New Homes Bonus | 3,179 |
| Council Tax Freeze Grant | 62 |
| Council Tax (including Parish Precepts) | 5,862 |
| Council Tax Collection Fund Surplus | 134 |
| Net Expenditure Budget | 13,193 |

With the ongoing pressure on the wider economy, the Government has been clear on the continued need for cuts in public sector spending. Our baseline funding (RSG and business rates) has again been cut in 2015/16 by some £0.803m (15.5%). We are being prudent in our financial planning, and we are planning for further cuts over the next two years.

New Homes Bonus Grant is another source of funding for the Council. The amount of grant we receive is based on growth in housing, with a top-up related to growth in affordable housing. The Grant in 2015/16 is £3.2m (2014/15 £2.3m). The Council is using £0.4m of this grant each year to support the annual budget, and the remainder currently allocated to support the Council's growth and regeneration ambitions.

The Medium Term Financial Plan demonstrates the scale of the projected financial challenge, with an estimated cumulative Budget Gap of £3.2m to be addressed by 2019/20, as reported to Council in February 2015. This represents a further 24% reduction in the current Net Budget.

The Council approved its current Corporate Business Plan in 2012/13 setting out the vision, ambitions and objectives for the Council. Although the Council has previously been successful in balancing its budget, there is ongoing pressure to reduce spending and at the same time meet the Council's ambitions for growth and regeneration which are seen as a catalyst for sustaining and improving the local economy. The Plan provides transparency for customers and staff on the direction the Council is heading in and service delivery priorities. The Council will need to react flexibly to this strategic approach – by using reserves to smooth the impact of the cuts over this period if necessary – and will continue to look at innovative ways to deliver and charge for services. A new Corporate Business Plan will be developed during 2015/16.

### Capital Expenditure Plans and Funding

The Council has recognised that significant capital investment is required over the next 5 to 10 years. When the budget was approved for 2015/16, this included known priorities that are affordable from projected capital resources. The Capital Programme that Members approved has committed the Council to spending £38.1m on General and HRA capital projects, with the majority of this expenditure expected to be incurred in the next two years. The current approved Capital Programme is therefore summarised as follows:

| | GF £k | HRA £k | Total £k |
|---|---|---|---|
| New Swimming Pool | 5,112 | | 5,112 |
| Car Park Improvements | 855 | | 855 |
| Affordable Housing | 1,213 | | 1,213 |
| Firepool Access | 1,450 | | 1,450 |
| Thales | 790 | | 790 |
| JMASS | 925 | | 925 |
| SCCC loan | 700 | | 700 |
| DLO Vehicles & Equipment | 314 | | 314 |
| Disabled Facilities Grants | 640 | | 640 |
| Other General Fund Schemes | 2,634 | | 2,634 |
| HRA Capital Maintenance Works | | 11,418 | 11,418 |
| Social Housing Developments | | 12,041 | 12,041 |
| | 14,633 | 23,459 | 38,092 |

The expenditure will be funded from capital receipts, grants and external contributions, and revenue funding, and will also require some capital borrowing to support housing investment and the new swimming pool and spa at Blackbrook Sports Centre.

### Organisation and Transformation of Council Services

In 2013 Taunton Deane and West Somerset councils agreed to establish a Joint Management and Shared Services (“JMASS”) structure, with the management and staff of both councils joining together as “One Team”. The Councils prepared a Strategic Business Case that set out the vision and benefits that joint working would help both Councils achieve.

The Councils’ joint senior management team was in place by January 2014, with the rest of the workforce restructuring progressing during 2014/15. Restructuring was completed by February 2015 – on target – and the Councils have broadly achieved the financial savings identified in the business case. Ongoing savings of £1.5 million for Taunton Deane are built into our budget.

The next important phase following the implementation of the joint management and shared service structure is to progress with transformation of services to further meet the ambitions of the Councils in terms of services to our community, and also to provide further opportunities for savings in recognition of our financial pressures. The transformation programme will be developed during 2015/16.

### Customer Access and Office Accommodation

The Council has committed to review its future accommodation needs in light of technological, financial and social changes, and to consider as part of this review how customers will access council services in future. A business case has been developed which has set out options, costs and benefits to enable the Council to agree and implement a fit for purpose future strategy. The project is progressing with the preferred option of relocating to shared public sector offices at County Hall in Taunton planned for 2017.

## Southwest One

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

**Business Rates Pool**

With effect from 1 April 2015 the Council has entered into a business rates pooling arrangement with Bath & North East Somerset Council, Mendip District Council, North Somerset Council, Sedgemoor District Council and South Somerset District Council. This has the potential to collectively reduce the amount of levy paid by the pool authorities to central government and therefore retain more funding locally to invest in initiatives to support the local economy.

**HRA Business Plan Review**

The Housing Revenue Accont has been operating under the local self-financing regime since April 2012, and the Council prepared for this through the creation of a thirty year Business Plan. A lot has changed since 2012, with for example the economic situation and government policy changes having an impact on service priorities and underlying financial plans and risks for the HRA. The Coucil intends to undertake a full refresh of the thirty year Business Plan during 2015/16.

**Welfare Reform – Benefit Changes**

In addition to the changes introduced in the past year, the Government has also made clear its intentions to reform the benefits system, with a number of changes being introduced or considered in relation to entitlement to Housing Benefit, including the introduction of Universal Credit which has started to be introduced on a phased basis from April 2015 in the Borough. It is recognised that these changes will have an impact on citizens within the Borough, which may impact on demand for local services such as benefits and housing advice, and also potentially the finances of the Council in terms of costs of impacted services and may also affect income collection. The Council has incorporated the estimated impact within its Service Planning and Medium Term Financial Plan.

**Fraud Prevention and Investigation**

Linked to the reform of benefits is the transfer of benefit fraud investigation from local authorities to the DWP, as a “Single Fraud Investigation Service”, with effect from 1 June 2015. The Council, in partnership with other districts in Somerset, is in the process of establishing a Counter Fraud Partnership, working with the South West Audit Partnership.

**FURTHER INFORMATION**

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

S Adam FCCA, Section 151 Officer, The Deane House, Belvedere Road, Taunton, TA1 1HE
Telephoning: (01823) 356310
E-mail to: s.adam@tauntondeane.gov.uk

# The Statement of Responsibilities for the Statement of Accounts

**The Council is required to:**

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

**The Director of Operations is required to:**

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

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

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

The Director of Operations has also:

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

**Certification of the Accounts**

This Statement of Accounts gives a true and fair view of the financial position of Taunton Deane Borough Council at 31 March 2015 and its income and expenditure for the year ended 31 March 2015.

S Adam FCCA
Director of Operations
Section 151 Officer

**Approval of the Accounts**

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

Chair of Corporate Governance Committee

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

The independent auditor’s report will appear here, following completion of the audit, for the final audited accounts due to be approved by the Corporate Governance Committee on 28 September 2015.

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# STATEMENT OF ACCOUNTING POLICIES

## 1. Accounting Policies

### i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end on 31 March 2015. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ('the Code') and the Service Reporting Code of Practice 2014/15 ('SeRCOP'), supported by International Financial Reporting Standards (IFRS).

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

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

### ii. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in one month or less from the date of the balance sheet and that are readily convertible to known amounts of cash with insignificant risk of change in value. As the majority of the Council's own bills are due in one month or less, the council treats cash on deposit for more than one month (and so not immediately available to pay bills) as a short-term investment rather than a cash equivalent available alongside cash itself.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

## iv. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to prior period adjustment.

Changes in accounting policies are only made when required by proper practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

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

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

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

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

## vi. Employee Benefits

### Benefits Payable During Employment

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

### Termination Benefits

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

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

Where termination benefits involve pension enhancements (usually in the form of 'added years') the enhancements will be treated as pension costs for the purposes of the statutory transfer between the Pension Reserve and the General Fund. The General Fund will be charged with the amount payable by the Council to the pension fund or pensioner in the year and the difference between the pension costs calculated by the Code and the contributions due under the pension's scheme regulations will be charged or credited to the Pensions reserve and shown in the Movement in Reserves Statement

### Post Employment Benefits

Employees of the Council are members of the Local Government Pensions Scheme, administered by Somerset County Council (SCC). The Local Government Scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

### The Local Government Pension Scheme

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

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

- Liabilities are discounted to their value at current prices, using a discount rate of 3.3% (based on the annualised yield at the 19 year point on the Merill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of IAS19 and with the consideration of the duration of the Employer's liabilities).

- The assets of the SCC pension fund attributable to the Council are included in the Balance Sheet at their fair value:

    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities – current bid price
    - property – market value.

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

**Service cost comprising**:

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

**Remeasurements comprising**:

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

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

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

**Discretionary Benefits**

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

### vii. Events After The Balance Sheet Date

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

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

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

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

## viii. Financial Instruments

### Financial Liabilities

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

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

### Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year according to the loan agreement.

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

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

### Available-for-Sale Assets

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

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

## ix. Government Grants and Contributions

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

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

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

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

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

**Community Infrastructure Levy**

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

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

**x. Heritage Assets**

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

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

**xi. Intangible Fixed Assets**

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

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

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

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

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

**xii. Interests in Companies and Other Entities**

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

**xiii. Inventories and Long Term Contracts**

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

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

**xiv. Investment Property**

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

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

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

**xv. Jointly Controlled Operations and Jointly Controlled Assets**

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venture's, with the assets being used to obtain benefits for the venture's. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

## xvi. Leases

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

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

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

### The Council as Lessee

#### *Operating Leases*

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

### The Council as Lessor

#### *Finance Leases*

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

Lease rentals receivable are apportioned between:

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

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

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

***Operating Leases***

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

### xvii. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014/15 (SerCOP). The total absorption costing principle is used as a basis for setting support service budgets. Actual figures are calculated on budget and then the difference (if not material) is charged to Corporate and Democratic Core. If the balance was material then the allocation would be reviewed. The cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

### xviii. Property, Plant and Equipment

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

**Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset’s potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. The Council has a discretionary de minimus level for recognising Property Plant and Equipment of £10,000.

**Measurement**

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of an asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

**Impairment**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

**Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the life of the property as estimated by the valuer
- Vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- Infrastructure – straight-line allocation over 50 years (or the life of the asset if less).

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

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

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

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

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

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

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

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

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

### xix. Private Finance Initiative (PFI) and Similar Contracts

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

### xx. Provisions, Contingent Liabilities and Contingent Assets

#### Provisions

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

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

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

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

#### Contingent Liabilities

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

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

**Contingent Assets**

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

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

### xxi. Reserves

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

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

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

### xxii. Revenue Expenditure Funded from Capital under Statute

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

### xxiii. VAT

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

### xxiv. The Collection Fund

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

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

### xxv. Accounting for Council Tax

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

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

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

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

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

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

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

# Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

| | General Fund Balance £'000 | Earmarked General Fund Reserves £'000 | Housing Revenue Account £'000 | Earmarked HRA Reserves £'000 | Capital Receipts Reserve £'000 | Major Repairs Reserve £'000 | Capital Grants Unapplied £'000 | Total Usable Reserves £'000 | Unusable Reserves £'000 | Total Council Reserves £'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance as 31 March 2013 carried forward** | **3,943** | **7,508** | **2,246** | **1,319** | **5,788** | **2,198** | **932** | **23,935** | **137,579** | **161,514** |
| **Movement in Reserves during 2013/14:** | | | | | | | | | | |
| Surplus or (deficit) on provision of services | (1,924) | 0 | 3,511 | 0 | 0 | 0 | 0 | **1,587** | 0 | **1,587** |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** | 11,291 | **11,291** |
| **Total Comprehensive Income and Expenditure** | **(1,924)** | **0** | **3,511** | **0** | **0** | **0** | **0** | **1,587** | **11,291** | **12,878** |
| Adjustments between accounting basis & funding basis under regulations (Note 6) | 5,601 | 0 | (2,985) | 0 | 136 | 266 | (172) | **2,844** | (2,844) | **0** |
| **Net Increase/Decrease before transfers to Earmarked Reserves** | **3,677** | **0** | **527** | **0** | **136** | **266** | **(172)** | **4,432** | **8,447** | **12,878** |
| Transfers (to)/from Earmarked Reserves (Note 7) | (5,501) | 5,501 | 705 | (705) | 0 | 0 | 0 | **0** | 0 | **0** |
| Other movements* | 418 | 0 | (418) | 0 | 0 | 0 | 0 | **0** | 0 | **0** |
| **Increase/(Decrease) in 2013/14** | **(1,406)** | **5,501** | **813** | **(705)** | **136** | **266** | **(172)** | **4,432** | **8,447** | **12,878** |
| **Balance at 31 March 2014 carried forward** | **2,537** | **13,009** | **3,059** | **614** | **5,924** | **2,464** | **760** | **28,367** | **146,026** | **174,393** |

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

# Movement in Reserves Statement (continued)

| | General Fund Balance £'000 | Earmarked General Fund Reserves £'000 | Housing Revenue Account £'000 | Earmarked HRA Reserves £'000 | Capital Receipts Reserve £'000 | Major Repairs Reserve £'000 | Capital Grants Unapplied £'000 | **Total Usable Reserves £'000** | Unusable Reserves £'000 | **Total Council Reserves £'000** |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance as 31 March 2014 carried forward** | **2,537** | **13,009** | **3,059** | **614** | **5,924** | **2,464** | **760** | **28,367** | **146,026** | **174,393** |
| **Movement in Reserves during 2014/15:** | | | | | | | | | | |
| Surplus or (deficit) on provision of services | (4,795) | 0 | 2,768 | 0 | 0 | 0 | 0 | **(2,027)** | 0 | **(2,027)** |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** | (9,259) | **(9,259)** |
| **Total Comprehensive Income and Expenditure** | **(4,795)** | **0** | **2,768** | **0** | **0** | **0** | **0** | **(2,027)** | **(9,259)** | **(11,286)** |
| Adjustments between accounting basis & funding basis under regulations (Note 6) | 6,505 | 0 | (613) | 0 | 800 | 2,600 | (60) | **9,232** | (9,232) | **0** |
| **Net Increase/(Decrease) before transfers to Earmarked Reserves** | **1,710** | **0** | **2,155** | **0** | **800** | **2,600** | **(60)** | **7,205** | **(18,491)** | **(11,286)** |
| Transfers (to)/from Earmarked Reserves (Note 7) | (2,256) | 2,256 | (1,608) | 1,608 | 0 | 0 | 0 | **0** | 0 | **0** |
| Other Movements | 123 | 0 | (123) | 0 | 0 | 0 | 0 | **0** | 0 | **0** |
| **Increase/(Decrease) in 2014/15** | **(423)** | **2,256** | **424** | **1,608** | **800** | **2,600** | **(60)** | **7,205** | **(18,491)** | **(11,286)** |
| **Balance at 31 March 2015 carried forward** | **2,114** | **15,265** | **3,483** | **2,222** | **6,724** | **5,064** | **700** | **35,572** | **127,535** | **163,107** |

# Comprehensive Income and Expenditure Statement

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

| | 2013/14 | | | | 2014/15 | |
|---|---|---|---|---|---|---|
| Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 | | Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 |
| 1,866 | (714) | 1,152 | Central Services to the Public | 1,030 | (106) | 924 |
| 4,109 | (654) | 3,455 | Cultural and Related Services | 3,892 | (622) | 3,270 |
| 7,788 | (2,336) | 5,452 | Environmental and Regulatory Services | 7,396 | (2,194) | 5,202 |
| 4,956 | (2,254) | 2,702 | Planning Services | 3,998 | (1,800) | 2,198 |
| 1,206 | (3,888) | (2,682) | Highways and Transport Services | 1,623 | (3,987) | (2,364) |
| 19,405 | (25,977) | (6,572) | Local Authority Housing (HRA) | 19,736 | (26,819) | (7,083) |
| 35,002 | (32,540) | 2,462 | Other Housing Services | 34,462 | (32,791) | 1,671 |
| 2,913 | (2,082) | 831 | Corporate and Democratic Core | 4,449 | (2,641) | 1,808 |
| 261 | 0 | 261 | Non Distributed Costs | 3,914 | 0 | 3,914 |
| **77,506** | **(70,445)** | **7,061** | **Cost of Services** | **80,500** | **(70,960)** | **9,540** |
| | | 579 | Other operating expenditure (Note 8) | | | 2,095 |
| | | 5,145 | Financing and investment income and expenditure (Note 9) | | | 4,546 |
| | | (14,374) | Taxation and non-specific grant income (Note 10) | | | (14,154) |
| | | **(1,588)** | **(Surplus) or Deficit on Provision of Services** | | | **2,027** |
| | | (4,345) | (Surplus) or deficit on revaluation of Property, Plant and Equipment assets | | | (8,752) |
| | | (6,945) | Remeasurement of the net Defined Pension Liability | | | 18,011 |
| | | **(11,290)** | **Other Comprehensive Income and Expenditure** | | | **9,259** |
| | | **(12,878)** | **Total Comprehensive Income and Expenditure** | | | **11,286** |

# Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

| 31 March 2014 | | | Note | 31 March 2015 | |
|---|---|---|---|---|---|
| £'000 | £'000 | | | £'000 | £'000 |
| | 209,892 | Council Dwellings | 11 | | 217,754 |
| | 76,506 | Other Land and Buildings | 11 | | 76,234 |
| | 5,980 | Vehicles, Plant and Equipment | 11 | | 5,938 |
| | 10,420 | Infrastructure Assets | 11 | | 10,256 |
| | 6,940 | Community Assets | 11 | | 7,131 |
| | 2,990 | Assets under construction | 11 | | 3,140 |
| | **312,728** | **Total Property, Plant & Equipment** | | | **320,453** |
| | 141 | Heritage Assets | 12 | | 141 |
| | 3,216 | Investment Property | 13 | | 3,897 |
| | 436 | Intangible Assets | 14 | | 670 |
| | 3 | Long Term Investments | 15 | | 3,449 |
| | 270 | Long Term Debtors | 17 | | 507 |
| | **316,794** | **Long Term Assets** | | | **329,117** |
| 544 | | Current Held for Sale Investment Property | 13 | 544 | |
| 9,020 | | Short term Investments | 15 | 6,005 | |
| 788 | | Assets Held for Sale | 19 | 849 | |
| 156 | | Inventories | 16 | 168 | |
| 4,334 | | Short Term Debtors | 17 | 5,062 | |
| 17,249 | | Cash and Cash Equivalents | 18 | 23,680 | |
| | **32,091** | **Current Assets** | | | **36,308** |
| (2,073) | | Short Term Borrowing | 15 | 0 | |
| (11,622) | | Short Term Creditors | 20 | (14,658) | |
| (1,297) | | Provisions | 21 | (3,086) | |
| | **(14,992)** | **Current Liabilities** | | | **(17,744)** |
| | **333,893** | | | | **347,681** |
| (92,306) | | Long Term Borrowing | 15 | (92,306) | |
| (67,194) | | Other Long Term Liabilities | 37 | (92,268) | |
| | **(159,500)** | **Long Term Liabilities** | | | **(184,574)** |
| | **174,393** | **Net Assets** | | | **163,107** |
| | | | | | |
| | 28,367 | Usable Reserves | 22 | | 35,572 |
| | 146,026 | Unusable Reserves | 23 | | 127,535 |
| | **174,393** | **Total Reserves** | | | **163,107** |

# Cash Flow Statement

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

| 2013/14 £000 | | 2014/15 £000 |
|---|---|---|
| (1,588) | Net surplus or (deficit) on the provision of services | (2,027) |
| 17,007 | Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 24) | 22,441 |
| (2,927) | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 24) | (2,317) |
| **12,492** | **Net cash flows from Operating Activities** | **18,097** |
| (6,091) | Investing Activities (Note 25) | (9,593) |
| 0 | Financing Activities (Note 26) | (2,073) |
| **6,401** | **Net increase or (decrease) in cash and cash equivalents** | **6,431** |
| 10,848 | Cash and cash equivalents at the beginning of the reporting period | 17,249 |
| **17,249** | **Cash and cash equivalents at the end of the reporting period (Note 18)** | **23,680** |

# Notes to the Core Financial Statements

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

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

The Authority has yet to adopt the following accounting standards:

- IFRS13 Fair Value Measurement

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

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

- Annual Improvements to IFRSs (2011-2013 Cycle)

The issues included in the Annual Improvements to IFRSs 2011-2013 cycle are:

  - IFRS 1: Meaning of effective IFRSs;
  - IFRS 3: Scope exceptions for joint ventures;
  - IFRS 13: Scope of portfolio exception; and
  - IAS 40: Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property

- IFRIC Interpretation 21 Levies

IFRIC 21 is an interpretation of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

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

## 2. Critical Judgements in Applying Accounting Policies

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

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

- The Council is a key partner in Firepool development which is one of the largest mixed use regeneration schemes in the south-west and one of the first key areas for “Project Taunton”, a town-wide regeneration initiative which recognises the opportunity for the Council to be a lead partner providing further contributions to the continued growth and prosperity of Taunton. The Council has capitalised the costs of the project so far, which are mainly to do with the necessary planning, land and property acquisition and preparation for such a high-profile asset creation.

- There continues to be a high degree of uncertainty about future levels of funding for local government. The Council has therefore put significant senior management and transactional resources into identifying opportunities for both reducing costs and improving performance. While it is possible that funding uncertainty might impair the Council’s assets, for example by requiring the closure of specialist facilities currently valued in the balance-sheet as operational assets, at this stage the Council has determined that this uncertainty is not yet sufficient to indicate any impairment may become necessary.

- The Council's leisure facilities are run on its behalf by Tone Leisure (Taunton Deane) Limited, a charitable trust (number 1110756) and not-for-profit social enterprise working with South Hams District Council through its own group company as well as Taunton Deane. The Council has the right to appoint two Councillors to the board of Tone Leisure Ltd, but does not have overall control of the Trust and so accounts for the arrangement as an Associate. In previous years the Council has included Tone Leisure in its group accounts. The inclusion of Tone Leisure has been reviewed this year and we have made a judgement that the Council's interest in Tone Leisure is not material to the accounts so therefore group accounts have not been prepared.

- The Council currently uses the Major Repairs Allowance (MRA) as a proxy for depreciation. This is a DCLG assessment of the cost of maintaining our Council Dwellings, therefore the Council believes it to be a reliable estimate. There is a five year transition period in place and the Council intends to review this basis within this period which ends in 2016/17.

- Depreciation for the Council's assets is run on opening balances. If there are any revaluations in year the revaluations are processed and depreciation is written out. There is assurance from the Valuer that the values in the accounts at 31 March 2015 are a true reflection of the fair value at this date.

- A Business Rates provision has been made in the accounts for £2.936m. The Council has put in its best estimate of the expenditure required to settle the present obligation based on the appeals put in by ratepayers.

## 3. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts necessarily contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| **Item** | **Significant Uncertainties** | **Effect if Actual Results Differ from Assumptions** |
|---|---|---|
| Property, Plant and Equipment (PPE) | PPE assets are depreciated over useful lives that are chosen based on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. If the working lives change significantly as a result of the Council's review of its services then those useful lives may lengthen or shorten. | Depreciation is calculated to spread the cost of an asset over its estimated working life. If the working life is reduced, depreciation goes up and carrying-value goes down; if the working life is extended, depreciation goes down and so carrying value goes up. For example, with vehicles costing approximately £1.4 million and an average working life of around five years, extending the life by 1 year would reduce annual depreciation by £43k. |

| Item | Significant Uncertainties | Effect if Actual Results Differ from Assumptions |
|---|---|---|
| | The carrying values of assets such as council houses depend very much on outside factors; for example, the significant revaluation in 2010/11 was due to a change in the discount factor applied nationally to social housing. This factor depends on market conditions such as the value of similar properties in an open market and rent yields for the private sector. For example, in 2005 when the present system was introduced, the discount factor for the south-west was 44%; in 2014/15 it is 31%. | With council housing having a balance-sheet value of around £218m, each 1% change in the social housing discount factor moves the valuation up or down by £2m while having no effect on the actual housing stock itself. |
| Pensions Liability | Estimates of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The Council works in partnership with other local authorities to engage a firm of consulting actuaries to provide expert advice about the assumptions to be applied, and reviews those assumptions in discussion with its partner Councils. Part of the annual accounts process is to review previous assumptions and test them against what actually happened, to provide further data for future assumptions.<br><br>With so much national debate and change in pension provisions, the assumptions are both difficult to predict from historical data and likely to change significantly in the short to medium term. The pensions liability and its underlying data is therefore very much a carefully-reasoned estimate of the most likely combination of factors, but by its very nature is significantly uncertain. | The effects on the net pension liability of many changes in individual assumptions can be measured. For example, if the discount rate were to change by plus or minus 0.1% from its assumed 3.3%, then the projected service cost would be between £3.914m to £4.111m. A similar change of 1 year in the mortality age range assumption means the projected service cost could be from £3.878m to £4.145m.<br><br>However, the assumptions interact in complex ways; for example, pension membership may fall, the proportion of commutable pension exchanged by members for cash on retirement may go up while members live longer and equity yields improve. |

| Item | Significant Uncertainties | Effect if Actual Results Differ from Assumptions |
|---|---|---|
| Business Rates Appeals Provision | Estimates have been made for the provision for refunding ratepayers who have successfully appealed against the rateable value of their properties. This includes the current and previous financial years. The estimate is based on those ratepayers who have appealed. | There is uncertainty and risk surrounding the calculation of the provision as future events may affect the amount required to settle an obligation. |
| Arrears | At 31 March 2015 the Council had a balance of Council Tax debtors of £3m, almost unchanged from the previous year, which is to be expected when collecting council tax of around £55.2m each year. The Council has made an impairment provision within the collection fund of £1.7m to cover debts that are not collectible for a variety of reasons; this Council's share of this is 11% of the total. However, in the current economic climate the level of unpaid debts could change significantly at short notice. | The Council is confident that the current levels of provision present a true and fair estimate of likely unpaid debts. However, the figures are large; with council tax income of over £55m this year from approximately 49,000 households, a 0.1% change in the collection rate changes the amount collected by around £55k in a full year (the Council's risk would be 11% of this amount). The Council's collection rate for 2014/15 was 99%. |

## 4. Material Items of Income and Expense

During the year, there have been 35 sales of Council dwellings to Council tenants, 31 dwellings were disposed of to a housing association and 36 dwellings were demolished; this has resulted in a loss shown in the Comprehensive Income and Expenditure Statement of £950k.

## 5. Events After the Balance Sheet Date

There have been no events after the balance sheet date of 31 March 2015 that require the financial statements or notes to be adjusted for 2014/15.

## 6. Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

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

### General Fund Balance

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

### Housing Revenue Account Balance

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

### Major Repairs Reserve

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

### Capital Receipts Reserve

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

### Capital Grants Unapplied

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

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

| | Usable Reserves | | | | | |
|---|---|---|---|---|---|---|
| **2014/15** | General Fund Balance £'000 | Housing Revenue Account £'000 | Capital Receipts Reserve £'000 | Major Repairs Reserve £'000 | Capital Grants Unapplied £'000 | Movement in Unusable Reserves £'000 |
| **Adjustments primarily involving the Capital Adjustment Account:** | | | | | | |
| *Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement* | | | | | | |
| Charges for depreciation of non-current assets | 1,461 | 6,700 | 0 | 0 | 0 | (8,161) |
| Revaluation losses on Property Plant and Equipment | 174 | 0 | 0 | 0 | 0 | (174) |
| Amortisation of intangible assets | 24 | 74 | 0 | 0 | 0 | (98) |
| Movements in the fair value of Investment Property | (597) | 0 | 0 | 0 | 0 | 597 |
| Capital grants and contributions applied | (811) | 0 | 0 | 0 | 0 | 811 |
| Revenue expenditure funded from capital under statute | 642 | 0 | 0 | 0 | 0 | (642) |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal of the Comprehensive Income and Expenditure Statement | 0 | 3,456 | 0 | 0 | 0 | (3,456) |
| *Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:* | | | | | | |
| Provision for the financing of capital investment | (543) | (510) | 0 | 0 | 0 | 1,053 |
| Capital expenditure charged against the General Fund and HRA balances | (1,388) | (1,845) | 0 | 0 | 0 | 3,233 |
| **Adjustments primarily involving the Capital Grants Unapplied Account:** | | | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | (84) | 0 | 0 | 0 | 84 | 0 |
| Application of grants to capital financing transferred to the Capital Adjustment Account | 0 | 0 | 0 | 0 | (144) | 144 |
| **Adjustments primarily involving the Capital Receipts Reserve:** | | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and Expenditure Account | 0 | (2,317) | 2,317 | 0 | 0 | 0 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 0 | 0 | (1,132) | 0 | 0 | 1,132 |
| Contribution from the Capital Receipts Reserve towards the administrative costs of non-current asset disposals | 0 | 46 | (46) | 0 | 0 | 0 |
| Contribution from the Capital Receipt reserve to finance the payments to the central government capital receipts pool | 339 | 0 | (339) | 0 | 0 | 0 |
| | | | | | | |

| | Usable Reserves | | | | | |
|---|---|---|---|---|---|---|
| **2014/15** | General Fund Balance £'000 | Housing Revenue Account £'000 | Capital Receipts Reserve £'000 | Major Repairs Reserve £'000 | Capital Grants Unapplied £'000 | Movement in Unusable Reserves £'000 |
| **Adjustments primarily involving the Major Repairs Reserve:** | | | | | | |
| Transfer dwelling depreciation to Major Repairs Reserve | 0 | (6,347) | 0 | 6,347 | 0 | 0 |
| Transfer non-dwelling depreciation to Major Repairs Reserve | 0 | (353) | 0 | 353 | 0 | 0 |
| Use of the Major Repairs Reserve to finance new Capital Expenditure | 0 | 0 | 0 | (4,100) | 0 | 4,100 |
| **Adjustments primarily involving the Pensions Reserve:** | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | 8,954 | 881 | 0 | 0 | 0 | (9,835) |
| Employers pension contributions and direct payments to pensioners payable in the year | (2,384) | (388) | 0 | 0 | 0 | 2,772 |
| **Adjustments primarily involving the Collection Fund Adjustment Account:** | | | | | | |
| Amount by which council tax and non-domestic rating income credited to the Comprehensive income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | 643 | 0 | 0 | 0 | 0 | (643) |
| **Adjustments primarily involving the Accumulated Absences 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 | 74 | (9) | 0 | 0 | 0 | (65) |
| **Total Adjustments 2014/15** | **6,505** | **(613)** | **800** | **2,600** | **(60)** | **(9,232)** |

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

| | Usable Reserves | | | | | |
|---|---|---|---|---|---|---|
| **2013/14 Comparative Figures** | General Fund Balance £'000 | Housing Revenue Account £'000 | Capital Receipts Reserve £'000 | Major Repairs Reserve £'000 | Capital Grants Unapplied £'000 | Movement in Unusable Reserves £'000 |
| **Adjustments primarily involving the Major Repairs Reserve:** | | | | | | |
| Transfer dwelling depreciation to Major Repairs Reserve | 0 | (6,414) | 0 | 6,414 | 0 | 0 |
| Transfer non-dwelling depreciation to Major Repairs Reserve | 0 | (412) | 0 | 412 | 0 | 0 |
| Use of the Major Repairs Reserve to finance new Capital Expenditure | 0 | 0 | 0 | (6,561) | 0 | 6,561 |
| **Adjustments primarily involving the Pensions Reserve: (Restated)** | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | 5,451 | 917 | 0 | 0 | 0 | (6,368) |
| Employers pension contributions and direct payments to pensioners payable in the year | (1,989) | (339) | 0 | 0 | 0 | 2,328 |
| **Adjustments primarily involving the Collection Fund Adjustment Account:** | | | | | | |
| Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | 1,198 | 0 | 0 | 0 | 0 | (1,198) |
| **Adjustments primarily involving the Accumulated Absences 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 | 15 | (2) | 0 | 0 | 0 | (13) |
| **Total Adjustments 2013/14** | **5,601** | **(2,984)** | **135** | **265** | **(173)** | **(2,844)** |

## 7. Transfers to/From Earmarked Reserves

The table below shows the amounts set aside from the General Fund and HRA balances in capital or revenue earmarked reserves to provide financing for future expenditure plans. It also shows the movement in each major earmarked reserve where amounts have either been posted to the reserve or back to meet General Fund and HRA expenditure in 2014/15.

| | **Balance at 31 March 2013 £'000** | Transfers In 2013/14 £'000 | Transfers Out 2013/14 £'000 | **Balance at 31 March 2014 £'000** | Transfers In 2014/15 £'000 | Transfers Out 2014/15 £'000 | **Balance at 31 March 2015 £'000** |
|---|---|---|---|---|---|---|---|
| **General Fund** | | | | | | | |
| Asset Management - General | **338** | 19 | (107) | **250** | 0 | (1) | **249** |
| Asset Management - Leisure | **773** | 176 | (620) | **329** | 703 | (614) | **418** |
| Capital Financing Reserve | **991** | 3,372 | 0 | **4,363** | 480 | (1,290) | **3,553** |
| Carryforwards | **541** | 475 | (541) | **475** | 767 | (477) | **765** |
| CEO Initiatives | **80** | 41 | (17) | **104** | 30 | (41) | **93** |
| Core Council Review | **132** | 0 | (132) | **0** | 0 | 0 | **0** |
| DLO Trading Account | **138** | 67 | 0 | **205** | 121 | (12) | **314** |
| DLO Vehicle Replacement Reserve | **0** | 241 | 0 | **241** | 341 | (241) | **341** |
| Eco Towns Projects | **120** | 0 | (24) | **96** | 46 | 0 | **142** |
| Growth & Regeneration Service Costs | **559** | 50 | (387) | **222** | 296 | (217) | **301** |
| Homelessness Grant | **123** | 26 | 0 | **149** | 0 | 0 | **149** |
| Housing Enabling | **208** | 4 | (36) | **176** | 7 | (5) | **178** |
| JM & SS Project EMR | **0** | 1,418 | 0 | **1,418** | 510 | (1,030) | **898** |
| Local Plan Enquiry | **362** | 137 | (95) | **404** | 24 | (239) | **189** |
| Monkton Heathfield EMR | **0** | 300 | 0 | **300** | 249 | (33) | **516** |
| New Homes Bonus Reserve | **1,040** | 1,354 | (1,600) | **794** | 2,106 | (458) | **2,442** |
| Performance & Client Consultancy | **108** | 163 | (60) | **211** | 79 | (95) | **195** |
| Planning Delivery Grant | **193** | 0 | (41) | **152** | 0 | (25) | **127** |
| Self Insurance Fund | **750** | 0 | (250) | **500** | 0 | 0 | **500** |
| TDBC share of NNDR Surplus/Deficit | **0** | 1,265 | 0 | **1,265** | 705 | 0 | **1,970** |
| Troubled Families | **246** | 249 | (143) | **352** | 0 | (303) | **49** |
| Specialised Planning Legislation | **0** | 0 | 0 | **0** | 165 | 0 | **165** |
| Resources Service Costs | **0** | 0 | 0 | **0** | 294 | 0 | **294** |
| Other Earmarked Reserves | **807** | 681 | (485) | **1,003** | 680 | (266) | **1,417** |
| **Total General Fund** | **7,509** | **10,038** | **(4,538)** | **13,009** | **7,603** | **(5,347)** | **15,265** |

| | Balance at 31 March 2013 £'000 | Transfers In 2013/14 £'000 | Transfers Out 2013/14 £'000 | Balance at 31 March 2014 £'000 | Transfers In 2014/15 £'000 | Transfers Out 2014/15 £'000 | Balance at 31 March 2015 £'000 |
|---|---|---|---|---|---|---|---|
| **Housing Revenue Account (HRA)** | | | | | | | |
| Capital Financing Reserve | **78** | 1 | 0 | **79** | 0 | 0 | **79** |
| Customer Access & Accomm Project | **0** | 36 | 0 | **36** | 18 | 0 | **54** |
| DLO Transformation | **66** | 1 | (22) | **45** | 0 | (38) | **7** |
| Halcon Reserve | **52** | 0 | (28) | **24** | 0 | 0 | **24** |
| Social Housing Development Fund | **1,108** | 822 | (1,526) | **404** | 542 | (834) | **112** |
| HRA Community Development Fund | **0** | 0 | 0 | **0** | 425 | 0 | **425** |
| Electrical Testing | **0** | 0 | 0 | **0** | 700 | 0 | **700** |
| Planned External Maintenance | **0** | 0 | 0 | **0** | 474 | 0 | **474** |
| Carryforwards | **0** | 0 | 0 | **0** | 235 | 0 | **235** |
| Other earmarked reserves | **14** | 50 | (38) | **26** | 86 | 0 | **112** |
| **Total HRA** | **1,319** | **909** | **(1,614)** | **614** | **2,480** | **(872)** | **2,222** |

Included in the reserves above is the Council's Self Insurance Fund. This is a sum of £500,000 which is set aside for self insurance in respect of property risks. The Stop Loss insurance policy for Council Dwellings has excesses of £50,000 per property and up to £250,000 per year.

## 8. Other Operating Expenditure

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

| 2013/14 £'000 | | 2014/15 £'000 |
|---|---|---|
| 521 | Parish Council precepts | 545 |
| 284 | Payments to the Government Housing Capital Receipts Pool | 339 |
| 29 | Pension administration costs | 26 |
| (255) | (Gains)/losses on the disposal of non-current assets | 1,185 |
| **579** | **Total** | **2,095** |

## 9. Financing and Investment Income and Expenditure

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

| 2013/14<br>£'000 | | 2014/15<br>£'000 |
|---|---|---|
| (6) | Trading account (surpluses) and deficits | 82 |
| 2,942 | Interest payable and similar charges | 2,606 |
| 2,966 | Net interest on the net defined benefit liability (asset) | 3,075 |
| (344) | Interest receivable and similar income | (276) |
| (413) | Income and expenditure in relation to investment properties and changes in their Fair Value | (941) |
| **5,145** | **Total** | **4,546** |

## 10. Taxation and Non Specific Grant Incomes

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

| 2013/14<br>£'000 | | 2014/15<br>£'000 |
|---|---|---|
| (5,620) | Council tax income | (5,900) |
| (2,239) | Non-domestic rates income and expenditure | (2,282) |
| (5,360) | Non-ringfenced government grants | (5,077) |
| (1,155) | Capital grants and contributions | (895) |
| **(14,374)** | **Total** | **(14,154)** |

More details of grants the Council has received can be found in Note 32 Grant Income.

## 11. Property, Plant and Equipment

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

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

| Comparative Movements in 2013/14 | Council Dwellings £'000 | Other Land and Buildings £'000 | Vehicles, Plant, Furniture and Equipment £'000 | Infrastructure Assets £'000 | Community Assets £'000 | Assets Under Construction £'000 | Total Property, Plant and Equipment £'000 |
|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | | |
| At 1 April 2013 | **206,400** | **77,871** | **8,752** | **11,713** | **6,965** | **2,645** | **314,346** |
| Additions | 8,572 | 2,172 | 802 | 0 | 52 | 345 | **11,943** |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | (2,447) | (101) | 0 | 0 | 0 | 0 | **(2,548)** |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 0 | (1,968) | 0 | 0 | 0 | 0 | **(1,968)** |
| Derecognition - disposals | (1,256) | 0 | 0 | 0 | 0 | 0 | **(1,256)** |
| Derecognition - other | (746) | 0 | 0 | 0 | 0 | 0 | **(746)** |
| Assets reclassified (to)/from Held for Sale | (630) | (216) | 0 | 0 | 0 | 0 | **(846)** |
| **At 31 March 2014** | **209,893** | **77,758** | **9,554** | **11,713** | **7,017** | **2,990** | **318,925** |
| **Accumulated Depreciation and Impairments** | | | | | | | |
| At 1 April 2013 | **0** | **(1,545)** | **(2,826)** | **(1,129)** | **(77)** | **0** | **(5,577)** |
| Depreciation Charge | (6,414) | (917) | (748) | (164) | 0 | 0 | **(8,243)** |
| Depreciation written out to the Revaluation Reserve | 6,414 | 473 | 0 | 0 | 0 | 0 | **6,887** |
| Depreciation written out to Surplus Deficit on Provision of Services | 0 | 737 | 0 | 0 | 0 | 0 | **737** |
| **At 31 March 2014** | **0** | **(1,252)** | **(3,574)** | **(1,293)** | **(77)** | **0** | **(6,196)** |
| **Net Book Value As at 31 March 2014** | **209,893** | **76,506** | **5,980** | **10,420** | **6,940** | **2,990** | **312,729** |

## Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings – The Major Repairs Allowance is used as a reasonable estimate for depreciation
- Other Land and Buildings – Straight Line allocation over a useful life of between 25-60 years
- Vehicles Plant and Equipment – Straight line basis over a useful life of between 4-10 years
- Infrastructure – Depreciation on a straight line basis of between 5-50 years.

## Capital Commitments

The major commitments on the Council's Housing Revenue Account and General Fund Capital Programme in 2014/15 are shown below.

## General Fund

The Council has entered into a contract for Blackbrook Pool which is due to be completed in 2015/16. Remaining commitments on this contract are approximately £5.1m.

Similar commitments as at 31 March 2014 on other General Fund Projects were approximately £5.3m in total.

### Housing Revenue Account

At the 31 March 2015 the Council has entered into a number of contracts to maintain the Housing Stock in 2015/16. The commitments are: Air Source Heat Pump installation £1,080k and Kitchen and Bathroom Installations £5,250k.

Similar commitments at 31 March 2014 on Housing Revenue Account contracts were £2,680k.

### Revaluations

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

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

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

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

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

| | Council Dwellings £'000 | Other Land and Buildings £'000 | Vehicles Plant and Equipment £'000 | Total £'000 |
|---|---|---|---|---|
| Carried at historical cost | 9,146 | 2,976 | 10,285 | 22,407 |
| Valued at: | | | | |
| 31 March 2010 | 0 | 2,213 | 0 | 2,213 |
| 31 March 2011 | 889 | 170 | 0 | 1,059 |
| 1 April 2011 | 0 | 14,516 | 0 | 14,516 |
| 1 April 2012 | 0 | 21,771 | 0 | 21,771 |
| 1 April 2013 | 0 | 8,710 | 0 | 8,710 |
| 1 April 2014 | 207,719 | 27,455 | 0 | 235,174 |
| **Total Cost or Valuation** | **217,754** | **77,811** | **10,285** | **305,850** |

## 12. Heritage Assets

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

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

| 2013/14 | | 2014/15 |
|---|---|---|
| £'000 | | £'000 |
| 141 | Balance at start of the year | 141 |
| **141** | **Balance at end of the year** | **141** |

## 13. Investment Property

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

| 2013/14 | | 2014/15 |
|---|---|---|
| £'000 | | £'000 |
| 348 | Rental Income from investment property | 336 |
| **348** | **Total** | **336** |

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

| 2013/14 | | 2014/15 |
|---|---|---|
| £'000 | | £'000 |
| **3,081** | Balance at start of the year | **3,216** |
| 347 | Net gains/(losses) from fair value adjustments | 596 |
| | **Transfers:** | |
| 0 | To/(from) Property, Plant & Equipment | 85 |
| (212) | To/(from) Investment Properties Held for Sale | 0 |
| **3,216** | **Balance at end of the year** | **3,897** |

### Investment Property Held for Sale

| 2013/14 | | 2014/15 |
|---|---|---|
| £'000 | | £'000 |
| **291** | Balance at start of the year | **544** |
| | **Transfers:** | |
| 253 | To/(from) Investment Properties Held for Sale | 0 |
| **544** | **Balance at end of the year** | **544** |

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

## 14. Intangible Assets

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

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

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £98,000 was charged to the relevant services or if the software is used across the whole of the Council it is charged to ICT and then apportioned across all services.

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

| 2013/14 Total £'000 | | 2014/15 Total £'000 |
|---|---|---|
| | **Balance at the start of the year:** | |
| 2,231 | Gross carrying amounts | 2,310 |
| (1,777) | Accumulated amortisation | (1,875) |
| **454** | **Net carrying amount at the start of the year** | **435** |
| 78 | Additions: Purchases | 35 |
| | Transfer from Property, Plant & Equipment (Assets under Construction) | 298 |
| (97) | Amortisation for the period | (98) |
| **435** | **Net carrying amount at end of year** | **670** |
| | **Comprising:** | |
| 2,310 | Gross carrying amounts | 2,643 |
| (1,875) | Accumulated amortisation | (1,973) |
| **435** | | **670** |

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

| Carrying Amount 31 March 2014 £'000 | Capitalised software | Carrying Amount 31 March 2015 £'000 | Remaining Amortisation Period |
|---|---|---|---|
| 46 | SAP System | 34 | 3 Years |
| 80 | IDOX Land Charges and Building Control Software | 68 | 4 Years |
| 68 | Choice Based Lettings System | 54 | 4 Years |
| 241 | Housing Management System | 181 | 5 Years |
| 0 | DLO System | 333 | 5 Years |

## 15. Financial Instruments

The definition of a financial instrument is: 'Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity'.

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

### Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to the Council.

The Council's non-derivative financial liabilities held during the year are measured at amortised cost and comprised:

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

### Financial Assets

A Financial Asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to received cash or another financial asset. The financial assets held by the Council during the year are held under the following four classifications:

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

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

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

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

Assets held at fair value through profit and loss comprising:

- Externally managed funds that are held for trading

## Financial Instruments - Balances

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

| | Long Term | | | Short Term | |
|---|---|---|---|---|---|
| **Financial Liabilities** | **31 March 2014 £'000** | **31 March 2015 £'000** | | **31 March 2014 £'000** | **31 March 2015 £'000** |
| **Loans at amortised cost:** | | | | | |
| - Principal sum borrowed | 92,125 | 92,198 | | 2,073 | 0 |
| - Accrued interest | 181 | 108 | | 0 | 0 |
| **Total Borrowing** | **92,306** | **92,306** | | **2,073** | **0** |
| **Liabilities at amortised cost:** | | | | | |
| - Trade payables | 0 | 0 | | 5,390 | 5,594 |
| **Included in Creditors** | **0** | **0** | | **5,390** | **5,594** |
| **Total Financial Liabilities** | **92,306** | **92,306** | | **7,463** | **5,594** |

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

| | Long Term | | | Short Term | |
|---|---|---|---|---|---|
| **Financial Assets** | **31 March 2014 £'000** | **31 March 2015 £'000** | | **31 March 2014 £'000** | **31 March 2015 £'000** |
| **Loans and receivables:** | | | | | |
| - Principal at amortised cost | 3 | 3 | | 9,000 | 6,000 |
| - Accrued Interest | 0 | 0 | | 20 | 5 |
| **Available-for-sale investments:** | | | | | |
| - Bonds at amortised cost | 0 | 3,444 | | 0 | 0 |
| - Accrued Interest | 0 | 2 | | 0 | 0 |
| **Total Investments** | **3** | **3,449** | | **9,020** | **6,005** |
| **Loans and receivables:** | | | | | |
| - Cash | 0 | 0 | | 539 | 506 |
| - Cash equivalents at amortised cost | 0 | 0 | | 4,500 | 7,300 |
| - Accrued interest | 0 | 0 | | 2 | 23 |
| **Available-for-sale investments:** | | | | | |
| - Cash equivalents at amortised cost | 0 | 0 | | 12,200 | 15,825 |
| - Accrued Interest | 0 | 0 | | 8 | 26 |
| **Total Cash and Cash Equivalents** | **0** | **0** | | **17,249** | **23,680** |
| **Loans and receivables:** | | | | | |
| - Trade receivables | 79 | 68 | | 2,226 | 2,000 |
| - Loans made for service purposes | 191 | 439 | | 0 | 0 |
| **Included in Debtors** | **270** | **507** | | **2,226** | **2,000** |
| **Total Financial Assets** | **273** | **3,956** | | **28,495** | **31,685** |

£439k of loans made for service purposes in 2014/15 meet the definition of capital expenditure in the Capital Finance Regulations.

### Soft Loans

Soft loans are those advanced at below market rates in support of the Council's service priorities. The Council has no material outstanding soft loans and has made no material soft loans in 2014/15.

### Financial Instruments – Gains and Losses

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

### Income, Expense, Gains and Losses

| | 2013/14 | | | | 2014/15 | | | |
|---|---|---|---|---|---|---|---|---|
| | Financial Liabilities measured at amortised cost £'000 | Financial Assets: Loans and receivables £'000 | Financial Assets: Available for sale £'000 | **Total £'000** | Financial Liabilities measured at amortised cost £'000 | Financial Assets: Loans and receivables £'000 | Financial Assets: Available for sale £'000 | **Total £'000** |
| Total interest expense in Surplus or Deficit on the Provision of Services | 2,942 | 0 | 0 | **2,942** | 2,606 | 0 | 0 | **2,606** |
| Total interest income in Surplus or Deficit on the Provision of Services | 0 | (316) | (28) | **(344)** | 0 | (153) | (123) | **(276)** |

### Financial Instruments - Fair Values

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cashflows at 31 March 2015 using the following assumptions:

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

| | 31 March 2014 | | 31 March 2015 | |
|---|---|---|---|---|
| | **Carrying amount £'000** | **Fair value £'000** | **Carrying amount £'000** | **Fair value £'000** |
| **Financial Liabilities** Long – Term Borrowing | **94,379** | **91,258** | **92,306** | **100,650** |
| **Financial Assets** Long-Term Available-for-Sale Investments | **0** | **0** | **3,446** | **3,454** |

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

## 16. Inventories

The table below details the purchases and issues of stock during the year and any balances written off. The majority (£143k) of the inventory balance at 31 March 2015 was in relation to the stores stock.

| 2013/14 £ | | 2014/15 £ |
|---|---|---|
| **163** | **Balance outstanding at start of year** | **155** |
| 757 | Purchases | 721 |
| (765) | Issues | (708) |
| **155** | **Balance outstanding at year-end** | **168** |

## 17. Debtors

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

### Current Debtors:

| 31 March 2014 £'000 | | 31 March 2015 £'000 |
|---|---|---|
| 566 | Central Government | 319 |
| 1,164 | Other local authorities | 953 |
| 6 | NHS Bodies | 103 |
| 2,598 | Other entities and individuals | 3,687 |
| **4,334** | **Total** | **5,062** |

The above figures include Trade Receivables of £2,000k (2014 £2,226k) which are classified as Financial Instruments and included in the analysis in Note 15 above.

### Long term Debtors:

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

| 31 March 2014 £'000 | | 31 March 2015 £'000 |
|---|---|---|
| 67 | Sundry Mortgages | 65 |
| 12 | Car/Bike Loans to Employees | 3 |
| 191 | Tone Leisure Loan | 159 |
| 0 | Somerset CCC Loan | 280 |
| **270** | **Total** | **507** |

## 18. Cash and Cash Equivalents

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

| 31 March 2014 £'000 | | 31 March 2015 £'000 |
|---|---|---|
| 6 | Cash Held by the Council | 7 |
| 535 | Bank current accounts | 499 |
| 7,008 | Call Accounts | 2,301 |
| 2,000 | Bond Funds | 6,038 |
| 5,200 | Money Market Funds | 9,813 |
| 2,500 | Short-term deposits | 5,022 |
| **17,249** | **Total Cash and Cash Equivalents** | **23,680** |

## 19. Assets Held for Sale

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

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

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

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

### Assets Held for Sale:

| Current | | Current |
|---|---|---|
| 2013/14 £'000 | | 2014/15 £'000 |
| **513** | **Balance outstanding at start of year** | **788** |
| 852 | Property Plant and Equipment newly classified as held for sale | 553 |
| (577) | Assets sold | (492) |
| **788** | **Balance outstanding at year-end** | **849** |

## 20. Creditors

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

| 31 March 2014 £'000 | | 31 March 2015 £'000 |
|---|---|---|
| 1,121 | Central Government bodies | 3,030 |
| 1,176 | Other local authorities | 1,061 |
| 14 | Public corporations and trading funds | 6 |
| 9,311 | Other entities and individuals | 10,561 |
| **11,622** | **Total** | **14,658** |

The above figures include Trade Payables of £5,594k (2014 £5,390k) which are classified as Financial Instruments and included in the analysis in Note 15 above.

## 21. Provisions

| Business Rates Appeals £'000 | Other Provisions £'000 | Total £'000 | | Business Rates Appeals £'000 | Other Provisions £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| 0 | 137 | 137 | **Balance at start of year** | 1,177 | 120 | 1,297 |
| 0 | (35) | (35) | Amounts used in Year | (1,304) | (33) | (1,337) |
| 1,177 | 18 | 1,195 | Provisions made in Year | 3,063 | 63 | 3,126 |
| **1,177** | **120** | **1,297** | **Balance at year-end** | **2,936** | **150** | **3,086** |

### *Business Rates Appeals*

The Local Government Finance Act 2012 introduced changes to the accounting arrangements for Business Rates. These changes require the Council to put in a provision for appeals for refunding ratepayers who have appealed against the rateable value of their properties on the rating list. The Council has to put in its best estimate of the expenditure required to settle the present obligation which totals £7.340m in respect of the Business Rates Collection Fund. There has been a significant increase in the number of appeals during 2014/15; the Council has considered the level of potential "speculative" appeals but taken a prudent approach to evaluating the risk.

### *Other Provisions*

These comprise £18k in respect of the Deposit Protection Scheme run by the Council to enable tenants to obtain private sector rented accommodation, £87k in respect of a probable obligation to refund Personal Search Fees and £45K in respect of a potential insurance claim relating to an employee's mesothelioma following exposure to asbestos.

## 22. Usable Reserves

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

## 23. Unusable Reserves

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

| 31 March 2014 £'000 | | 31 March 2015 £'000 |
|---:|---|---:|
| 26,563 | Revaluation Reserve | 35,003 |
| 188,218 | Capital Adjustment Account | 187,069 |
| (67,194) | Pensions Reserve | (92,268) |
| (1,205) | Collection Fund Adjustment Account | (1,849) |
| (355) | Accumulated Absences Account | (420) |
| **146,026** | **Total Unusable Reserves** | **127,535** |

### Revaluation Reserve

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

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

The reserve contains only revaluation gains accumulated since 1 April 2007, this is the date which the reserve was created. Accumulated gains arising before this date are consolidated into the balance on the Capital Adjustment Account.

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

| 2013/14 | | | 2014/15 |
|---:|---|---:|---:|
| £'000 | | | £'000 |
| **22,522** | **Balance at 1 April** | | **26,563** |
| 4,976 | Upwards revaluation of assets | 9,075 | |
| (632) | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | (323) | |
| 4,344 | Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | | 8,752 |
| (303) | Difference between fair value depreciation and historical cost depreciation | (312) | |
| (303) | Amount written off to Capital Adjustment Account | | (312) |
| **26,563** | **Balance at 31 March** | | **35,003** |

## Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement. The account is credited with amounts set aside by the Council as finance for the cost of acquisition, construction and enhancement.

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

The Account also contains revaluation gains and losses on Property, Plant and Equipment before 1 April 2007 - the date that the Revaluation Reserve was created to hold such gains.

Note 6 – Adjustments Between Accounting Basis and Funding Basis under Regulations, provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

| **2013/14** | | | **2014/15** |
|---|---|---|---|
| **£'000** | | | **£'000** |
| **185,507** | **Balance at 1 April** | | **188,218** |
| | *Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:* | | |
| (8,243) | Charges for depreciation and impairment of non-current assets | (8,161) | |
| (921) | Revaluation losses on Property, Plant and Equipment | (174) | |
| (97) | Amortisation of intangible assets | (98) | |
| (977) | Revenue Expenditure funded from capital under statute | (642) | |
| (2,500) | Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (3,456) | |
| (12,738) | | | (12,531) |
| 303 | Adjusting amounts written out of the Revaluation Reserve | | 312 |
| 173,072 | Net written out amount of the cost of non-current assets consumed in the year | | 175,999 |
| | *Use of the Capital financing applied in the year:* | | |
| 2,441 | Use of the Capital Receipts Reserve to finance new capital expenditure | 1,132 | |
| 6,561 | Use of Major Repairs Reserve to finance new capital expenditure | 4,100 | |
| 278 | Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | 811 | |
| 1,051 | Application of grants to capital financing from the Capital Grants Unapplied Account | 144 | |
| 2,581 | Statutory provision for the financing of capital investment charged against the General Fund and HRA balances | 1,053 | |
| 2,234 | Capital Expenditure charged against the General Fund and HRA Balances | 3,233 | |
| 15,146 | | | 10,473 |
| 0 | Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | | 597 |
| **188,218** | **Balance at 31 March** | | **187,069** |

## Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns in any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to the pension fund or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that the funding will have been set aside by the time the benefits come to be paid.

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

| 2013/14 | | 2014/15 |
|---|---|---|
| £'000 | | £'000 |
| **(70,100)** | **Balance at 1 April** | **(67,194)** |
| 6,946 | Remeasurement of the Net Defined Pension Liability | (18,011) |
| (6,368) | 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 | (9,835) |
| 2,328 | Employer's pensions contributions and direct payments to pensioners payable in the year | 2,772 |
| **(67,194)** | **Balance at 31 March** | **(92,268)** |

## Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Non-Domestic Rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers and business ratepayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

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

| Council Tax | Business Rates | 2013/14 | | Council Tax | Business Rates | 2014/15 |
|---|---|---|---|---|---|---|
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| **(8)** | **0** | **(8)** | **Balance at 1 April** | **30** | **(1,235)** | **(1,205)** |
| 38 | (1,235) | (1,197) | Amount by which Council Tax/NNDR income is credited to the Comprehensive Income and Expenditure Statement is different from Council Tax/NNDR income calculated for the year in accordance with statutory requirements | 96 | (740) | (644) |
| **30** | **(1,235)** | **(1,205)** | **Balance at 31 March** | **126** | **(1,975)** | **(1,849)** |

## Accumulated Absences Account

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

| 2013/14 | | 2014/15 | |
|---|---|---|---|
| **£'000** | | **£'000** | **£'000** |
| **(342)** | **Balance at 1 April** | | **(355)** |
| 342 | Settlement or cancellation of accrual made at the end of the preceding year | 355 | |
| (355) | Amounts accrued at the end of the current year | (420) | |
| (13) | Amount by which officer remuneration charged to the Comprehensive income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements | | (65) |
| **(355)** | **Balance at 31 March** | | **(420)** |

## 24. Cash Flow Statement – Operating Activities

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

| 2013/14 | | 2014/15 |
|---|---|---|
| **£'000** | | **£'000** |
| (344) | Interest Received | (245) |
| 2,942 | Interest Paid | 2,679 |
| **2,598** | | **2,434** |

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

| 2013/14 | | 2014/15 |
|---|---|---|
| **£'000** | | **£'000** |
| 8,243 | Depreciation | 8,160 |
| 1,094 | Impairment and Downward Valuations | 175 |
| 157 | Amortisation | 98 |
| 0 | Movement in Fair Value of Investment Property | (596) |
| (121) | Increase/(Decrease) in impairment for Bad Debts | 18 |
| 442 | Increase/(Decrease) in Creditors | 3,036 |
| 365 | (Increase)/Decrease in Debtors | (746) |
| 8 | (Increase)/Decrease in Inventory | (12) |
| 4,040 | Movement in Pension Liability | 7,063 |
| (1,198) | Movement in NNDR Credited | 0 |
| 2,396 | Carrying amount of non current assets sold | 3,456 |
| 1,297 | Provisions | 1,789 |
| 9 | Other non cash items charged to the net surplus or deficit on the provision of services | 0 |
| **17,007** | | **22,441** |

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

| 2013/14 | | 2014/15 |
|---|---|---|
| **£'000** | | **£'000** |
| (2,927) | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (2,317) |
| **(2,927)** | | **(2,317)** |

## 25. Cash Flow Statement – Investing Activities

| 2013/14 | | 2014/15 |
|---|---|---|
| **£'000** | | **£'000** |
| (11,626) | Purchase of property, plant and equipment, investment property and intangible assets | (11,242) |
| (108,442) | Purchase of short-term and long-term investments | (21,451) |
| 0 | Other payments for investing activities | (300) |
| 2,927 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 2,317 |
| 111,050 | Proceeds from short-term and long-term investments | 21,020 |
| 0 | Other receipts from investing activities | 63 |
| **(6,091)** | **Net cash flows from investing activities** | **(9,593)** |

## 26. Cash Flow Statement – Financing Activities

| 2013/14 | | 2014/15 |
|---|---|---|
| **£'000** | | **£'000** |
| 0 | Repayment of short-term and long-term borrowing | (2,073) |
| **0** | **Net cash flows from financing activities** | **(2,073)** |

## 27. Amounts Reported for Resource Allocation Decisions

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

- No charges are made to services in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement). Capital projects are, however, managed through regular budget reports.

- The cost of retirement benefits is based on cash flows (actual payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year and identified by actuaries at the end of the year for adjustment into the Comprehensive Income and Expenditure Statement and Balance Sheet.

- The Comprehensive Income and Expenditure Statement includes notional charges for employee benefits accrued but not paid (such as leave entitlement not taken at year-end); this charge is irrelevant for management control purposes and is not shown in the budget reports.

- Expenditure on some support services is budgeted for and controlled centrally and not recharged to services or portfolios until the year-end.

- For management control purposes, General Fund, HRA and capital are all reported separately with the impact on the Council's reserves shown in summary tables.

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

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

The portfolios are as follows:

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

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

**Portfolio Analysis 2014/15**

| 2014/15 | COM £'000 | COR £'000 | ECD £'000 | ENV £'000 | GEN £'000 | HSG £'000 | PTC £'000 | SPL £'000 | Total GF Portfolios £'000 | HRA £'000 | Grand Total £'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Fees, charges and other service income | (70) | (3,577) | (449) | (2,367) | (185) | (313) | (5,302) | (381) | **(12,644)** | (27,060) | **(39,704)** |
| Government grants and contributions | (123) | (33,175) | 0 | 0 | 0 | 0 | (386) | (2) | **(33,686)** | (46) | **(33,732)** |
| **Total Income** | **(193)** | **(36,752)** | **(449)** | **(2,367)** | **(185)** | **(313)** | **(5,688)** | **(383)** | **(46,330)** | **(27,106)** | **(73,436)** |
| Employee expenses | 533 | 5,487 | 795 | 1,275 | 502 | 1,105 | 1,724 | 417 | **11,838** | 2,967 | **14,805** |
| Other services and expenses | 803 | 35,484 | 1,778 | 4,225 | 374 | 714 | 1,470 | 2,040 | **46,888** | 8,550 | **55,438** |
| Support service recharges | (114) | (3,496) | (379) | 697 | 656 | (74) | 646 | 127 | **(1,937)** | 1,712 | **(225)** |
| **Total Expenditure** | **1,222** | **37,475** | **2,194** | **6,197** | **1,532** | **1,745** | **3,840** | **2,584** | **56,789** | **13,229** | **70,018** |
| | | | | | | | | | | | |
| **Net Expenditure** | **1,029** | **723** | **1,745** | **3,830** | **1,347** | **1,432** | **(1,848)** | **2,201** | **10,459** | **(13,877)** | **(3,418)** |

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

| | 2014/15 £'000 |
|---|---|
| Net expenditure in the portfolio analysis | (3,418) |
| Net expenditure of services and support services not included in the portfolio analysis | 49 |
| Amounts in the Comprehensive Income and Expenditure Statement not reported to management for decisions in the portfolio analysis | 12,909 |
| Amounts included in the portfolio analysis not included in the Comprehensive Income and Expenditure Statement | 0 |
| **Cost of services in the Comprehensive Income and Expenditure Statement** | **9,540** |

## Reconciliation to Subjective Analysis

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

| 2014/15 | Portfolio Analysis £'000 | Services and Support Services Not in Analysis £'000 | Amounts not Reported to Management £'000 | Amounts Not Included in CI&ES £'000 | Allocation of Recharges £'000 | Cost of Services £'000 | Corporate Amounts £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|---|
| Fees, charges and other service income | (39,704) | 0 | 0 | 0 | 0 | **(39,704)** | (9,947) | **(49,651)** |
| Interest and Investment Income | 0 | 0 | 0 | 0 | 0 | **0** | (276) | **(276)** |
| Income from council tax | 0 | 0 | 0 | 0 | 0 | **0** | (5,130) | **(5,130)** |
| Government grants and contributions | (33,732) | 0 | 0 | 0 | 0 | **(33,732)** | (8,129) | **(41,861)** |
| Capital grants and contributions | 0 | 0 | 0 | 0 | 0 | **0** | (895) | **(895)** |
| **Total Income** | **(73,436)** | **0** | **0** | **0** | **0** | **(73,436)** | **(24,377)** | **(97,813)** |
| | | | | | | | | |
| Employee expenses | 14,805 | 0 | 3,757 | 0 | 0 | **18,562** | 5,588 | **24,150** |
| Other service expenses | 55,438 | 49 | 0 | 0 | (2,091) | **53,396** | 6,168 | **59,564** |
| Support service recharges | (225) | 0 | 0 | 0 | 2,091 | **1,866** | (1,866) | **0** |
| Depreciation, amortisation, impairment and REFCUS | 0 | 0 | 8,808 | 0 | 0 | **8,808** | (432) | **8,376** |
| Interest payments | 0 | 0 | 0 | 0 | 0 | **0** | 5,681 | **5,681** |
| Precepts and levies | 0 | 0 | 0 | 0 | 0 | **0** | 545 | **545** |
| Payments to housing capital receipts pool | 0 | 0 | 0 | 0 | 0 | **0** | 339 | **339** |
| Gain or loss on disposal of long term assets | 0 | 0 | 0 | 0 | 0 | **0** | 1,185 | **1,185** |
| **Total Expenditure** | **70,018** | **49** | **12,565** | **0** | **0** | **82,632** | **17,208** | **99,840** |
| | | | | | | | | |
| **Surplus or deficit on the provision of services** | **(3,418)** | **49** | **12,565** | **0** | **0** | **9,196** | **(7,169)** | **2,027** |

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

**Portfolio Analysis 2013/14**

| 2013/14 | COM £'000 | COR £'000 | ECD £'000 | ENV £'000 | GEN £'000 | HSG £'000 | PTC £'000 | SPL £'000 | Total GF Portfolios £'000 | HRA £'000 | Grand Total £'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Fees, charges and other service income | (302) | (1,790) | (306) | (2,331) | (448) | (150) | (5,153) | (368) | **(10,849)** | (25,561) | **(36,410)** |
| Government grants and contributions | (14) | (33,083) | (8) | 0 | (619) | (11) | (300) | 0 | **(34,034)** | 0 | **(34,034)** |
| **Total Income** | **(316)** | **(34,873)** | **(314)** | **(2,331)** | **(1,067)** | **(161)** | **(5,453)** | **(368)** | **(44,883)** | **(25,561)** | **(70,444)** |
| Employee expenses | 767 | 2,936 | 518 | 1,646 | 291 | 863 | 1,250 | 389 | **8,660** | 2,456 | **11,116** |
| Other services and expenses | 484 | 36,743 | 993 | 4,169 | 471 | 698 | 1,197 | 2,031 | **46,786** | 7,967 | **54,753** |
| Support service recharges | 75 | (2,983) | 131 | 479 | 896 | 110 | 881 | 196 | **(215)** | 2,015 | **1,800** |
| **Total Expenditure** | **1,326** | **36,969** | **1,642** | **6,294** | **1,658** | **1,671** | **3,328** | **2,616** | **55,231** | **12,438** | **67,669** |
| | | | | | | | | | | | |
| **Net Expenditure** | **1,010** | **1.823** | **1,328** | **3,963** | **591** | **1,510** | **(2,125)** | **2,248** | **10,348** | **(13,123)** | **(2,775)** |

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

| | 2013/14 £'000 |
|---|---|
| Net expenditure in the portfolio analysis | (2,775) |
| Net expenditure of services and support services not included in the portfolio analysis | 47 |
| Amounts in the Comprehensive Income and Expenditure Statement not reported to management for decisions in the portfolio analysis | 9,789 |
| Amounts included in the portfolio analysis not included in the Comprehensive Income and Expenditure Statement | 0 |
| **Cost of services in the Comprehensive Income and Expenditure Statement** | **7,061** |

## Reconciliation to Subjective Analysis

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

| 2013/14 | Portfolio Analysis £'000 | Services and Support Services Not in Analysis £'000 | Amounts not Reported to Management £'000 | Amounts Not Included in CI&ES £'000 | Allocation of Recharges £'000 | Cost of Services £'000 | Corporate Amounts £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|---|
| Fees, charges and other service income | (36,410) | 0 | 0 | 0 | 0 | **(36,410)** | (16,158) | **(52,568)** |
| Interest and Investment Income | 0 | 0 | 0 | 0 | 0 | **0** | (171) | **(171)** |
| Income from council tax | 0 | 0 | 0 | 0 | 0 | **0** | (4,355) | **(4,355)** |
| Government grants and contributions | (34,034) | 0 | 0 | 0 | 0 | **(34,034)** | (8,863) | **(42,897)** |
| Capital grants and contributions | 0 | 0 | 0 | 0 | 0 | **0** | (1,156) | **(1,156)** |
| **Total Income** | **(70,444)** | **0** | **0** | **0** | **0** | **(70,444)** | **(30,704)** | **(101,147)** |
| | | | | | | | | |
| Employee expenses | 11,115 | 0 | 694 | 0 | 0 | **11,809** | 5,348 | **17,157** |
| Other service expenses | 54,752 | 47 | 0 | 0 | 0 | **54,799** | 10,016 | **64,815** |
| Support service recharges | 1,800 | 0 | 0 | 0 | 0 | **1,800** | 651 | **2,451** |
| Depreciation, amortisation, impairment and REFCUS | 0 | 0 | 9,095 | 0 | 0 | **9,095** | (261) | **8,834** |
| Interest payments | 0 | 0 | 0 | 0 | 0 | **0** | 5,735 | **5,735** |
| Precepts and levies | 0 | 0 | 0 | 0 | 0 | **0** | 479 | **479** |
| Payments to housing capital receipts pool | 0 | 0 | 0 | 0 | 0 | **0** | 284 | **284** |
| Gain or loss on disposal of non-current assets | 0 | 0 | 0 | 0 | 0 | **0** | (255) | **(255)** |
| **Total Expenditure** | **67,669** | **47** | **9,789** | **0** | **0** | **77,503** | **21,997** | **99,560** |
| | | | | | | | | |
| **Surplus or deficit on the provision of services** | **(2,775)** | **47** | **9,789** | **0** | **0** | **7,061** | **(8,649)** | **(1,588)** |

## 28. Trading Operations

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

**Building Maintenance DLO**
Primarily undertakes work for the Council's Housing Department maintaining the housing stock. Workload ranges from minor day-to-day repairs to major capital schemes. The DLO is also contracted to maintain the Council's public buildings and other miscellaneous properties.

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

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

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

| | | 2012/13 | | 2013/14 | | 2014/15 | |
|---|---|---|---|---|---|---|---|
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Building Maintenance DLO | Turnover | (4,806) | | (5,536) | | (6116) | |
| | Expenditure | 5,013 | | 5,471 | | 6,095 | |
| | **(Surplus)/Deficit** | | **207** | | **(65)** | | **(21)** |
| | | | | | | | |
| Grounds Maintenance DLO | Turnover | (2,817) | | (3,270) | | (3,211) | |
| | Expenditure | 2,781 | | 3,179 | | 3,241 | |
| | **(Surplus)/Deficit** | | **(36)** | | **(91)** | | **30** |
| **Net DLO (Surplus)/Deficit** | | | **171** | | **(156)** | | **9** |
| | | | | | | | |
| Deane Helpline | Turnover | (980) | | (935) | | (976) | |
| | Expenditure | 1,096 | | 1,085 | | 1,049 | |
| | **(Surplus)/Deficit** | | **116** | | **150** | | **73** |
| | | | | | | | |
| **Net Trading (Surplus)/Deficit** | | | **287** | | **(6)** | | **82** |

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

## 29. Officers' Remuneration

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

The remuneration paid to the Council's senior employees is as follows:

| | | Salary, Fees and Allowances £ | Expenses Allowances £ | Compensation for Loss of Office £ | **Total Remuneration excluding pension contributions £** | Pension Contribution £ | **Total £** | Annualised Salary £ |
|---|---|---|---|---|---|---|---|---|
| Chief Executive[1] | 2014/15 | 120,000 | 1,459 | 0 | 121,459 | 0 | 121,459 | 120,000 |
| | 2013/14 | 123,090 | 1,310 | 0 | 124,400 | 0 | 124,400 | 120,000 |
| Strategic Director A | 2014/15 | 85,425 | 1,581 | 0 | 87,006 | 11,532 | 98,538 | 85,425 |
| | 2013/14 | 78,157 | 1,542 | 0 | 79,699 | 14,259 | 93,958 | 85,000 |
| Strategic Director B | 2014/15 | 80,400 | 1,354 | 0 | 81,754 | 10,854 | 92,608 | 80,400 |
| | 2013/14 | 73,543 | 1,094 | 0 | 74,637 | 13,532 | 88,169 | 80,000 |
| Strategic Director D | 2014/15 | 80,400 | 0 | 0 | 80,400 | 10,854 | 91,254 | 80,400 |
| | 2013/14 | 62,134 | 0 | 0 | 62,134 | 12,210 | 74,344 | 80,000 |
| Assistant Chief Executive and Monitoring Officer | 2014/15 | 63,818 | 6 | 0 | 63,824 | 8,615 | 72,439 | 63,818 |
| | 2013/14 | 15,875 | 417 | 0 | 16,292 | 2,921 | 19,213 | 63,500 |
| Assistant Director A | 2014/15 | 60,300 | 12 | 0 | 60,312 | 8,141 | 68,452 | 60,300 |
| | 2013/14 | 56,684 | 841 | 0 | 57,525 | 10,430 | 67,955 | 60,000 |
| Assistant Director B | 2014/15 | 60,300 | 1,659 | 0 | 61,959 | 8,141 | 70,100 | 60,300 |
| | 2013/14 | 56,684 | 1,725 | 0 | 58,409 | 10,430 | 68,839 | 60,000 |
| Assistant Director C | 2014/15 | 60,300 | 947 | 0 | 61,247 | 8,141 | 69,387 | 60,300 |
| | 2013/14 | 57,104 | 1,107 | 0 | 58,211 | 10,430 | 68,641 | 60,000 |
| Assistant Director D | 2014/15 | 60,441 | 900 | 0 | 61,341 | 8,296 | 69,637 | 60,300 |
| | 2013/14 | 57,403 | 1,239 | 0 | 58,642 | 11,293 | 69,935 | 60,000 |
| Assistant Director E | 2014/15 | 60,300 | 0 | 0 | 60,300 | 8,141 | 68,441 | 60,300 |
| | 2013/14 | 15,000 | 0 | 0 | 15,000 | 2,760 | 17,760 | 60,000 |
| Assistant Director F | 2014/15 | 60,300 | 259 | 0 | 60,559 | 8,141 | 68,700 | 60,300 |
| | 2013/14 | 10,000 | 226 | 0 | 10,226 | 1,840 | 12,066 | 60,000 |
| Assistant Director G[2] | 2014/15 | 46,741 | 798 | 0 | 47,539 | 6,310 | 53,849 | 46,741 |
| | 2013/14 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Assistant Director H[2] | 2014/15 | 54,494 | 4,734 | 0 | 59,228 | 7,357 | 66,585 | 60,300 |
| | 2013/14 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Notes:

1 The Chief Executive opted out of the pension scheme in 2012/13.
2 Assistant Director G was appointed on 1 April 2014 and Assistant Director H was appointed on 6 May 2014.
3 From 1 January 2014 the above posts were shared with West Somerset Council except the Chief Executive who took up the role on 24 October 2013 and Assistant Director F who took up the role on 1 February 2014.
4 The split of remuneration for Strategic Director D is 90:10 to Taunton Deane: West Somerset
5 The split of remuneration for the Chief Executive, Assistant Chief Executive and Monitoring Officer and Assistant Director F is 50:50 to Taunton Deane: West Somerset.

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

| Remuneration band | 2013/14 Number of employees | 2014/15 Number of employees |
|---|---|---|
| £50,000 - £54,999 | 2 | 1 |
| £55,000 - £59,999 | 0 | 4 |
| £60,000 - £64,999 | 0 | 2 |
| £65,000 - £69,999 | 1 | 3 |
| £70,000 - £74,999 | 0 | 1 |
| £75,000 - £79,999 | 0 | 3 |
| £105,000 - £109,999 | 0 | 1 |
| £135,000 - £139,999 | 1 | 0 |

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

| Exit package cost band (including special payments) | Number of other departures agreed | | Number of compulsory & voluntary redundancies | | Total number of exit packages by cost band | | Total cost of exit packages in each band £ | |
|---|---|---|---|---|---|---|---|---|
| | 2013/14 | 2014/15 | 2013/14 | 2014/15 | 2013/14 | 2014/15 | 2013/14 | 2014/15 |
| £0 - £20,000 | 0 | 0 | 3 | 0 | 3 | 0 | 25,530 | 0 |
| £20,001 - £40,000 | 0 | 0 | 4 | 9 | 4 | 9 | 128,160 | 308,870 |
| £40,001 - £60,000 | 0 | 0 | 0 | 6 | 0 | 6 | 0 | 312,780 |
| £60,001 - £80,000 | 0 | 0 | 3 | 5 | 3 | 5 | 212,580 | 319,060 |
| £80,001 - £100,000 | 0 | 0 | 2 | 3 | 2 | 3 | 181,450 | 338,860 |
| **Total** | **0** | **0** | **12** | **23** | **12** | **23** | **547,720** | **1,279,570** |

## 30. Members' Allowances

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

| | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| Allowances | 298 | 308 |
| Expenses | 27 | 22 |
| **Total** | **325** | **330** |

## 31. External Audit Costs

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

| 2013/14 £'000 | | 2014/15 £'000 |
|---|---|---|
| 67 | Fees payable with regard to external audit services carried out by the appointed auditor | 67 |
| 17 | Fees payable the certification of grant claims and returns | 10 |
| **84** | **Total** | **77** |

## 32. Grant Income

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

| 2013/14 £'000 | | 2014/15 £'000 |
|---|---|---|
| | **Credited to Taxation and Non Specific Grant Income** | |
| 3,556 | Revenue Support Grant | 2,767 |
| 57 | Council Tax Freeze Grant | 0 |
| 1,747 | New Homes Bonus | 2,311 |
| 437 | Capital Grants | 895 |
| **5,797** | **Total** | **5,973** |
| | **Credited to Services** | |
| 18,755 | Rent Allowances | 18,519 |
| 13,228 | Rent Rebates | 13,302 |
| 692 | Housing Benefit Admin | 642 |
| 1,469 | Other Grants | 1,462 |
| **34,144** | **Total** | **33,925** |

## 33. Related Parties

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

### UK Central Government

UK Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, housing benefits). Grants income is shown in Note 32.

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

### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2014/15 is shown in Note 30.

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

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

The Council paid grants totalling £193,790 to voluntary organisations. A grant of £5,000 was awarded to North Taunton Partnership for which one Member has declared an interest as a trustee. A further £31,900 was awarded to the Wiveliscombe Area Partnership and £14,500 to the Taunton East Development Trust for which another member has declared an interest. In all instances, the grants were made with proper consideration of declarations of interest. The relevant Member did not take part in any discussion or decision relating to the grants. Details of all these interests are recorded in the Register of Members Interests, open to public inspection at the Council office during office hours.

### Officers

During 2014/15 no senior officers of the Council declared any material pecuniary interest in any works, services or grants commissioned or awarded by the Council.

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

## 34. Capital Expenditure and Capital Financing

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

The CFR is analysed as follows:

| *Capital Financing Requirement (CFR)* | **2013/14 £'000** | **2014/15 £'000** |
|---|---|---|
| **Opening Capital Financing Requirement** | **105,538** | **103,390** |
| *Capital Investment* | | |
| Property Plant and Equipment | 11,942 | 11,206 |
| Loans made for service purposes | 0 | 300 |
| Intangible Assets | 78 | 35 |
| Revenue Expenditure Funded from Capital Under Statute | 977 | 679 |
| | **118,535** | **115,610** |
| *Sources of Finance* | | |
| Capital Receipts | (2,441) | (1,132) |
| Government Grants and Other Contributions | (1,328) | (955) |
| Major Repairs Allowance | (6,561) | (4,100) |
| *Sums Set Aside from Revenue* | | |
| Direct Revenue Contributions | (2,234) | (3,233) |
| Minimum Revenue Provision | (2,581) | (1,053) |
| | **(15,145)** | **(10,473)** |
| **Closing Capital Financing Requirement** | **103,390** | **105,137** |

Explanation of movements in the Capital Financing Requirement in year:

| | **2013/14 £'000** | **2014/15 £'000** |
|---|---|---|
| Increase in underlying need to borrow (unsupported by government financial assistance) | 433 | 1,747 |
| Decrease in underlying need to borrow (unsupported by government financial assistance) | (2,376) | 0 |
| **Increase/(Decrease) in the Capital Financing Requirement** | **(1,943)** | **1,747** |

## 35. Leases

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

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

## Council as Lessee

### Operating Leases

The Council has recorded 61 leases for vehicles ranging from vans, lorries and cars to specialist mowers. Lease periods range from 1 to 5 years, most commonly 5 years, and all current operating leases expire by March 2018. The Council also leases a number of properties on operating leases. The total of future minimum lease payments due in future years are:

| | 31 March 2014 £'000 | 31 March 2015 £'000 |
|---|---|---|
| Not later than one year | 162 | 106 |
| Later than one year and not later than five years | 152 | 95 |
| Later than five years and not later than ten years | 11 | 11 |
| Later than ten years | 49 | 49 |
| **Total payments due in future years** | **374** | **261** |

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

| | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| Minimum lease payments | 170 | 192 |
| **Total expenditure charged** | **170** | **192** |

## Council as Lessor

### Finance Leases

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

### Operating Leases

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

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

### Operating Leases:

| *Operating leases:* | 31 March 2014 £'000 | 31 March 2015 £'000 |
|---|---|---|
| Not later than one year | 664 | 620 |
| Later than one year and not later than five years | 2,440 | 2,278 |
| Later than five years and not later than ten years | 2,614 | 2,441 |

| | | |
|---|---|---|
| **Total payments due in future years** | **5,718** | **5,339** |

The minimum lease payments above do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. Due to the inherent variability of rental income in the medium to long term, the information in this note has been closed-off at ten years. This will be reviewed in future years if less volatile information becomes available.

## 36. Termination Benefits

The Council terminated the contracts of 17 of its employees in 2014/15, compared to 10 in 2013/14. As part of the Joint Management and Shared Service (JMASS) partnership with West Somerset the Councils jointly terminated the contracts of a further 6 employees in 2014/15. See note 29 for the number of exit packages and total cost per band.

## 37. Defined Benefit Pensions Schemes

### Participation in Pension Schemes

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

The Council participates in the Local Government Pension Scheme, administered by Somerset County Council. This is a funded scheme, which means that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with the investment assets.

### Transactions relating to post employment benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund and the HRA via the Movement in Reserves Statement. The following transactions shown in the table have been made in the Comprehensive Income and Expenditure Statement and the General Fund/HRA Balance via the Movement in Reserves Statement during the year:

| | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| **Comprehensive Income and Expenditure Statement (CIES)** | | |
| ***Cost of Services:*** | | |
| Current Service Cost | 3,327 | 3,187 |
| Past Service Cost | 46 | 314 |
| Settlements | 0 | 3,229 |
| Administration expenses | 29 | 30 |
| ***Financing and Investment Income and Expenditure:*** | | |
| Net interest on the defined liability | 2,966 | 3,075 |
| **Total Post-Employment Benefits charged to the Surplus on the Provision of Services** | **6,368** | **9,835** |
| ***Remeasurement of the net defined benefit liability comprising:*** | | |
| Return on assets (excluding the amount included in net interest expense) | (1,009) | (6,729) |
| Change in financial assumptions | 303 | 24,775 |
| Change in demographic assumptions | 4,624 | 0 |
| Experience (gain)/loss on defined benefit obligation | (9,875) | (35) |

| | 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| Other actuarial (gains)/losses on assets | (989) | 0 |
| ***Total Post Employment Benefit Charged to the CIES*** | **(6,946)** | **18,011** |
| ***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 | **(6,368)** | **(9,835)** |
| ***Actual amount charged against the General Fund Balance for pensions in the year:*** | | |
| Employers contributions payable to scheme | **2,328** | **2,772** |

**Pensions Assets and Liabilities Recognised in the Balance Sheet**

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

| | Local Government Pension Scheme | |
|---|---|---|
| | **2013/14 £'000** | **2014/15 £'000** |
| Present value of the defined benefit obligation | (140,242) | (179,985) |
| Fair value of plan assets | 73,048 | 87,717 |
| **Surplus/(Deficit) in the scheme** | **(67,194)** | **(92,268)** |

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

| | Funded Liabilities: Local Government Pension Scheme | |
|---|---|---|
| | **2013/14 £'000** | **2014/15 £'000** |
| **Opening balance at 1 April** | **(139,890)** | **(140,242)** |
| Current service cost | (3,327) | (3,187) |
| Interest cost | (5,931) | (6,535) |
| Change in financial assumptions | (303) | (24,775) |
| Change in demographic assumptions | (4,624) | 0 |
| Experience (loss)/gain on defined benefit obligation | 9,875 | 35 |
| Contributions by scheme participants | (749) | (818) |
| Benefits paid | 4,597 | 5,439 |
| Past service costs, including curtailments | (46) | (314) |
| Settlements | 0 | (9,743) |
| Unfunded pension payments | 156 | 155 |
| **Closing balance at 31 March** | **(140,242)** | **(179,985)** |

## Reconciliation of fair value of the scheme assets:

| | Local Government Pension Scheme 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| **Opening balance at 1 April** | **69,790** | **73,048** |
| Interest on assets | 2,965 | 3,460 |
| Return on assets less interest | 1,009 | 6,729 |
| Other actuarial gains/(losses) | 989 | 0 |
| Administration expenses | (29) | (30) |
| Employer contributions | 2,328 | 2,772 |
| Contributions by scheme participants | 749 | 818 |
| Benefits Paid | (4,753) | (5,594) |
| Settlements | 0 | 6,514 |
| **Closing balance at 31 March** | **73,048** | **87,717** |

## Local Government Pension Scheme assets comprised:

| | Fair Value of Scheme Assets 2013/14 £'000 | 2014/15 £'000 |
|---|---|---|
| Equities | 51,864 | 61,161 |
| Gilts | 4,383 | 5,757 |
| Other bonds | 8,035 | 9,171 |
| Property | 7,305 | 8,018 |
| Cash | 1,461 | 3,610 |
| **Total** | **73,048** | **87,717** |

From the information we have received from the Administering Authority we understand that of the total Fund at 31 March 2015 approximately £6,228k of Equities and £8,018k of Property did not have a quoted market price in an active market.

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. The Local Government Pension Scheme has been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 31 March 2013.

As a result of some members transferring from West Somerset Council over the year the liabilities have been settled at a cost different to the accounting reserve. The capitalised loss of this settlement is £3.229m. This figure has been included within service cost in the CIES.

| The principal assumptions used by the actuary are detailed in the table below: | Local Government Pension Scheme | |
|---|---|---|
| | 2013/14 | 2014/15 |
| | | |
| **Long-term expected rate of return on assets in the scheme:** | 6% | 13% |
| **Mortality assumptions** | | |
| **Longevity at 65 for pensioners retiring today:** | | |
| Men | 23.6 | 23.7 |
| Women | 26.0 | 26.1 |
| **Longevity at 65 for pensioners retiring in 20 years:** | | |
| Men | 25.8 | 26.0 |
| Women | 28.3 | 28.4 |
| **Financial assumptions** | | |
| RPI Increases | 3.6% | 3.2% |
| CPI Increases | 2.8% | 2.4% |
| Rate of increase in salaries | 4.6% | 4.2% |
| Rate of increase in pensions | 2.8% | 2.4% |
| Rate for discounting scheme liabilities | 4.5% | 3.3% |
| Take-up of option to convert annual pension into retirement lump sum | 10% | 10% |

## Sensitivity Analysis:

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

| | Impact on the Defined Benefit Obligation In the Scheme | |
|---|---|---|
| | Increase in Assumption £'000 | Decrease in Assumption £'000 |
| Longevity (increase or decrease in 1 year) | 6,131 | (6,183) |
| Rate of increase in salaries (increase or decrease by 0.1%) | (495) | 492 |
| Rate of increase in pensions (increase or decrease by 0.1%) | (2,880) | 2,824 |
| Rate for discounting scheme liabilities (increase or decrease by 0.1%) | 3,285 | (3,349) |

### Impact on the Council's Cash Flows

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £92,268,000 has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

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

The total of contributions expected to be made to the Local Government Pension Scheme by the Council in the year 31 March 2016 is £2,642,000.

## 38. Contingent Liabilities

### Tone Leisure

During 2004/05, the Council created a Leisure Trust, Tone Leisure, to manage its leisure services on its behalf. The Council fully deficit-funds the Leisure Trust. During the creation of the trust, Tone Leisure has become an admitted body into the Somerset County Council Pension Fund and the Council has provided a guarantee that it will meet the employers' contributions due to the Pension Fund if the Trust were to fail to make the necessary payments. In addition if there were to be a deficit on the Pension Fund - attributable to Tone Leisure's employee pension entitlements at the date of termination of the Council's relationship with the Trust - then the Council would need to make good that deficit by increasing its own contributions to the Fund on an agreed basis. The deficit on the Pension Fund attributable to Tone Leisure at 31 March 2015 has not been included within the Council's main financial statements. However, the amount disclosed, in compliance with the relevant accounting requirements, does not fully reflect the Council's overall potential liability in this matter, which amounts to approximately £3.155m (2013/14 £1.761m).

### Business Rates Retention

The total provision for current and backdated appeals stands at £7.34m (2013/14 £2.94m), of this the Council share is £2.936m (2013/14 £1.177m). There could be future appeals in respect of rates billed to date but there is no reasonable basis of estimating what that total could be.

### South West Audit Partnership Limited

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

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

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

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

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

The main risks covered are:

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

**Credit Risk: Investments**

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

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £3.5m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2015 that this was likely to crystallise.

The Council does not hold collateral against any investments.

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

| Credit Rating | Short Term 31/03/2014 £'000 | Short Term 31/03/2015 £'000 |
|---|---|---|
| AAA | 0 | 0 |
| AA- | 0 | 4,000 |
| A+ | 0 | 0 |
| A | 0 | 9,300 |
| A- | 25,700 | 15,836 |
| **Total** | **25,700** | **29,136** |

## Trade Receivables

During 2014/15 the Council continued to carefully review historic debtor balances and has written off old irrecoverable debts. The Council has a policy of exploring cost effective ways to ensure debts are fully recovered and thus minimise exposure to credit risk.

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

Balances and transactions arising from statutory functions such as Council Tax and NNDR are excluded from this disclosure note, as they have not arisen from contractual trading activities. However, the analysis below does include amounts owed to the Council by Central Government, other Local Authorities and NHS bodies.

| 31 March 2014 Trade Debtors £'000 | | 31 March 2015 Trade Debtors £'000 | 31 March 2015 Impairment £'000 | 31 March 2015 Trade Debtors not impaired £'000 |
|---|---|---|---|---|
| 1,061 | Less than three months | 1,497 | 0 | 1,497 |
| 24 | Over three months up to six months | 4 | 1 | 3 |
| 61 | Over six months up to one year | 82 | 11 | 71 |
| 25 | More than one year | 168 | 130 | 38 |
| **1,171** | | **1,751** | **142** | **1,609** |

## Liquidity Risk

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

The maturity analysis of the principal sums borrowed is as follows

| | Long-term | | Short Term | |
|---|---|---|---|---|
| | 31 March 2014 £'000 | 31 March 2015 £'000 | 31 March 2014 £'000 | 31 March 2015 £'000 |
| **Loans by Type** | | | | |
| Public Works Loan Board | 89,268 | 89,198 | 2,073 | 0 |
| Other Financial Institutions | 3,038 | 3,000 | **0** | **0** |
| | **92,306** | **92,198** | **2,073** | **0** |
| **Loans by Maturity** | | | | |
| Less than 1 year | 0 | 0 | 2,073 | 0 |
| Over 1 but not over 2 years | 0 | 2,698 | 0 | 0 |
| Over 2 but not over 5 years | 12,699 | 10,500 | 0 | 0 |
| Over 5 but not over 10 years | 26,004 | 31,500 | 0 | 0 |
| Over 10 but not over 15 years | 36,010 | 40,500 | 0 | 0 |
| Over 15 but not over 20 years | 10,503 | 0 | 0 | 0 |
| More than 20 years | 7,090 | 7,000 | 0 | 0 |
| | **92,306** | **92,198** | **2,073** | **0** |

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

**Market Risk**

**Interest Rate Risk**

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

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

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

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

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

| | 2013/14 | 2014/15 |
|---|---|---|
| | £'000 | £'000 |
| Increase in interest payable on variable rate borrowings | 50 | 50 |
| Increase in interest receivable on variable rate investments | (237) | (181) |
| **Impact on Surplus or Deficit on the Provision of Services** | **(207)** | **(131)** |
| Decrease in fair value of fixed rate borrowings | 10,037 | 8,547 |
| Decrease in fair value of fixed rate available-for-sale investments | 0 | 94 |

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

**Price Risk**

The Council does not generally invest in equity shares and is therefore not subject to equity price risk.

**Foreign Exchange Risk**

The authority has no financial assets or liabilities denominated in foreign currencies, thus has no exposure to loss arising from movements in exchange rates.

# Housing (HRA) Income and Expenditure Account

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

| 2013/14 | | | Note | 2014/15 | |
|---|---|---|---|---|---|
| £'000 | £'000 | | | £'000 | £'000 |
| | | **Income** | | | |
| | (23,741) | Dwelling rents | | | (24,545) |
| | (587) | Non dwelling rents | | | (576) |
| | (999) | Charges for services/facilities | | | (1,131) |
| | (488) | Contributions towards expenditure | | | (474) |
| | (25,815) | | | | (26,726) |
| | | **Expenditure** | | | |
| 6,941 | | Repairs and maintenance | | 6,824 | |
| 5,064 | | Supervision and management | | 5,431 | |
| 282 | | Rents, rates, taxes and other charges | | 271 | |
| 6,826 | | Depreciation and impairment of fixed assets | | 6,774 | |
| (108) | | Movement in the allowance for bad debts | | 87 | |
| | 19,005 | | | | 19,387 |
| | **(6,810)** | **Net Expenditure of HRA Services as included in the Comprehensive Income and Expenditure Statement** | | | **(7,339)** |
| | 238 | HRA services share of corporate and democratic core | | | 256 |
| | **(6,572)** | **Net Expenditure of HRA Services** | | | **(7,083)** |
| | | **HRA share of operating income and expenditure included in the Comprehensive Income and Expenditure Statement:** | | | |
| | (264) | (Gain) or loss on sale of HRA fixed assets | | | 1,185 |
| | 2,942 | Interest payable and similar charges | | | 2,778 |
| | (49) | Interest and investment income | | | (78) |
| | 432 | Pensions interest cost | | | 430 |
| | **(3,511)** | (Surplus)/Deficit for the year on HRA services | | | **(2,768)** |

## Statement of Movement on the HRA Balance

| 2013/14 | | | 2014/15 | |
|---|---|---|---|---|
| £'000 | £'000 | | £'000 | £'000 |
| | **2,247** | **Balance on the HRA at the end of the year** | | **3,059** |
| 3,511 | | Surplus or (deficit) for the year on the HRA Income and Expenditure Account | 2,768 | |
| (2,984) | | Adjustments between accounting basis and funding under statute (see analysis below) | (613) | |
| 527 | | Net Increase or (decrease) before transfers to or from reserves | 2,155 | |
| 705 | | Transfers (to) or from reserves | (1,608) | |
| (420) | | Other movements | (123) | |
| | 812 | Increase or (decrease) in the year on the HRA | | 424 |
| | **3,059** | **Balance on the HRA at the end of the current year** | | **3,483** |

## Adjustments between Accounting Basis and Funding Basis Under Statute

This note details the adjustments that are made to the surplus/deficit for the year recognised by the Council on the HRA Statement in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

| **2013/14** | | **2014/15** |
|---|---|---|
| **£'000** | | **£'000** |
| (2) | Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statute requirements | (9) |
| (264) | Reversal of (gain) or loss on sale of HRA non-current assets | 1,185 |
| (1,445) | Capital Expenditure charged against revenue | (1,845) |
| 578 | HRA share of contributions to or from the Pensions Reserve | 493 |
| (6,826) | Transfer to/(from) the Major Repairs Reserve | (6,700) |
| 4,975 | Transfer to/(from) the Capital Adjustment Account | 6,263 |
| **(2,984)** | | **(613)** |

# Collection Fund

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

| 2013/14 | | | | 2014/15 | | |
|---|---|---|---|---|---|---|
| Business Rates £'000 | Council Tax £'000 | Total £'000 | | Business Rates £'000 | Council Tax £'000 | Total £'000 |
| | | | **Income** | | | |
| 0 | (53,853) | (53,853) | Council Tax Receivable | 0 | (55,229) | (55,229) |
| (39,084) | 0 | (39,084) | Business Rates Receivable | (40,807) | 0 | (40,807) |
| 0 | 0 | 0 | Transitional Protection Payments | (140) | 0 | (140) |
| | | | Apportionment of Previous Year's Surplus/(Deficit) | | | |
| 0 | 0 | 0 | Central Government | (432) | 0 | (432) |
| 0 | 157 | 157 | Somerset County Council | (78) | 238 | 160 |
| 0 | 26 | 26 | Avon & Somerset Police Authority | 0 | 39 | 39 |
| 0 | 11 | 11 | Devon & Somerset Fire & Rescue Authority | (9) | 18 | 9 |
| 0 | 23 | 23 | Taunton Deane Borough Council | (345) | 35 | (310) |
| **(39,084)** | **(53,636)** | **(92,720)** | | **(41,811)** | **(54,899)** | **(96,710)** |
| | | | | | | |
| | | | **Expenditure** | | | |
| | | | Demands and Shares | | | |
| 19,348 | 0 | 19,348 | Central Government | 19,328 | 0 | 19,328 |
| 3,483 | 38,298 | 41,781 | Somerset County Council | 3,479 | 38,691 | 42,170 |
| 0 | 6,264 | 6,264 | Avon & Somerset Police Authority | 0 | 6,454 | 6,454 |
| 387 | 2,811 | 3,198 | Devon & Somerset Fire & Rescue Authority | 387 | 2,896 | 3,283 |
| 15,478 | 5,560 | 21,038 | Taunton Deane Borough Council | 15,462 | 5,739 | 21,201 |
| 163 | 0 | 163 | Costs of Collection | 164 | 0 | 164 |
| 2,942 | 0 | 2,942 | Increase in Provision for appeals | 4,398 | 0 | 4,398 |
| 256 | 104 | 360 | Increase in Provision for bad and doubtful debts | 164 | 54 | 218 |
| 161 | 242 | 403 | Write offs during the year | 204 | 177 | 381 |
| 29 | 0 | 29 | Disregarded amounts | 0 | 0 | 0 |
| **42,247** | **53,279** | **95,526** | | **43,586** | **54,011** | **97,597** |
| | | | | | | |
| **3,163** | **(357)** | **2,806** | (Surplus)/Deficit for the year | **1,775** | **(888)** | **887** |
| | | | | | | |
| **0** | **62** | **62** | (Surplus)/Deficit Balance Brought Forward | **3,163** | **(295)** | **2,868** |
| | | | | | | |
| **3,163** | **(295)** | **2,868** | (Surplus)/Deficit Balance Carried Forward | **4,938** | **(1,183)** | **3,755** |
| | | | | | | |
| | | | Attributable to: | | | |
| 1,582 | 0 | 1,582 | Central Government | 2,469 | 0 | 2,469 |
| 285 | (213) | 72 | Somerset County Council | 445 | (851) | (406) |
| 0 | (35) | (35) | Avon & Somerset Police Authority | 0 | (142) | (142) |
| 31 | (16) | 15 | Devon & Somerset Fire & Rescue Authority | 49 | (64) | (15) |
| 1,265 | (31) | 1,234 | Taunton Deane Borough Council | 1,975 | (126) | 1,849 |
| **3,163** | **(295)** | **2,868** | | **4,938** | **(1,183)** | **3,755** |

## Notes to the Supplementary Statements

## Housing Revenue Account

### A Housing Stock

The Council was responsible for managing over 5,800 dwellings during 2014/15. The stock at 31 March was made up as follows:

| | 31 March 2014 | 31 March 2015 |
|---|---|---|
| Houses | 2,963 | 2,940 |
| Bungalows | 859 | 850 |
| Flats and Maisonettes | 2,082 | 2,030 |
| | **5,904** | **5,820** |
| Shared Equity | 1 | 1 |
| | **5,905** | **5,821** |

The change in stock in was made up of 35 sales, 36 demolitions pending redevelopment, disposal of 31 dwellings to a housing association for redevelopment, 7 acquisitions and the completion of 11 new builds.

### B Value of Assets

The balance sheet value of HRA assets at 31 March 2014 and 31 March 2015 is shown below.

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

| **Comparatives 2013/14** | Council Dwellings £'000 | Other Land and Buildings £'000 | Vehicles, Plant, Furniture and Equipment £'000 | Infrastructure Assets £'000 | Total Property Plant and Equipment £'000 | Assets Held for Sale £'000 | Intangible Assets £'000 | **TOTAL Assets £'000** |
|---|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | | | |
| At 1 April 2013 | 206,400 | 19,136 | 103 | 1,987 | **227,626** | 513 | 683 | **228,822** |
| Additions | 8,572 | 0 | 17 | 0 | **8,589** | 0 | 57 | **8,646** |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | (2,447) | (21) | 0 | 0 | **(2,468)** | 6 | 0 | **(2,462)** |
| Derecognition – Disposals | (1,257) | 0 | 0 | 0 | **(1,257)** | (577) | 0 | **(1,834)** |
| Derecognition - Other | (746) | 105 | 0 | 0 | **(641)** | 0 | 0 | **(641)** |
| Assets reclassified (to)/from Held for Sale | (630) | 0 | 0 | 0 | **(630)** | 630 | 0 | **0** |
| **At 31 March 2014** | **209,892** | **19,220** | **120** | **1,987** | **231,219** | **572** | **740** | **232,532** |
| **Accumulated Depreciation and Impairments** | | | | | | | | |
| At 1 April 2013 | 0 | (234) | (61) | (256) | **(551)** | 0 | (362) | **(913)** |
| Depreciation Charge | (6,414) | (284) | (9) | (51) | **(6,758)** | 0 | (68) | **(6,826)** |
| Depreciation written out to the Revaluation Reserve | 6,414 | 214 | 0 | 0 | **6,628** | 0 | 0 | **6,628** |
| **At 31 March 2014** | **0** | **(304)** | **(70)** | **(307)** | **(681)** | **0** | **(430)** | **(1,111)** |
| **Net Book Value as at 31 March 2014** | **209,892** | **18,916** | **50** | **1,680** | **230,538** | **572** | **310** | **231,420** |

## C Value of Dwellings at 1 April 2014

The open market value of dwellings within the HRA at 1 April 2014 is £702,433,000 compared with the balance sheet value of £217,754,000. The difference of £484,679,000 represents the economic cost to the Government of providing Council housing at less than open market rents.

## D Rent Arrears

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

| **31 March 2014** | | **31 March 2015** |
|---|---|---|
| **£'000** | | **£'000** |
| 519 | Rent arrears | 505 |
| (288) | Provision for bad debts | (218) |
| **231** | **Anticipated collectable arrears** | **287** |
| 2.2% | Arrears as % of gross rent income | 2.0% |

## E Rent Rebates

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

## F Gross Rent Income

This is the total rent income due for the year after allowing for voids. During the year 0.86% (0.78% in 2013/14) of available properties were vacant. Average weekly rents were £80.74, an increase of £3.57 (4.63%) over the previous year.

## G Major Repairs Reserve

The Council is required to maintain a Major Repairs Reserve. The account is credited with depreciation and is used to finance HRA capital expenditure. The depreciation charge for council dwellings is funded by the major repairs allowance, which is included within the HRA subsidy, and reflects the cost of keeping the stock in its current condition.

| 2013/14 (Restated) | | 2014/15 |
|---|---|---|
| £'000 | | £'000 |
| **2,198** | **Balance at 1 April** | **2,464** |
| 6,414 | Transfer dwelling depreciation to MRR | 6,347 |
| 413 | Transfer non dwelling depreciation to MRR | 353 |
| (6,561) | Financing of HRA Capital Expenditure | (4,100) |
| **2,464** | **Balance at 31 March** | **5,064** |

2013/14 figures have been restated to split out the dwelling and non-dwelling depreciation.

## H Revenue Expenditure funded from Capital under Statute

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

| 2013/14 | | 2014/15 |
|---|---|---|
| £'000 | | £'000 |
| 1,445 | Capital Expenditure | 0 |
| **1,445** | **Total** | **0** |

## I Total Capital Expenditure and Receipts

| 2013/14 | | 2014/15 |
|---|---|---|
| £'000 | | £'000 |
| | **HRA Capital Expenditure** | |
| 8,567 | Dwellings | 9,818 |
| 58 | Intangible Assets | 34 |
| 22 | Vehicles Plant and Equipment | 17 |
| **8,647** | | **9,869** |
| | **Financed By** | |
| 641 | Capital receipts | 1,124 |
| 1,445 | Contribution from revenue | 1,845 |
| 6,561 | Major repairs reserve | 4,100 |
| 0 | Borrowing | 2,800 |
| **8,647** | | **9,869** |

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

| 2013/14 | Housing Capital Receipts | 2014/15 |
|---|---|---|
| **£'000** | | **£'000** |
| 2,705 | Dwellings | 2,317 |
| 206 | Land | 0 |
| (61) | Administrative cost of sales | (46) |
| **2,850** | | **2,271** |

## J Pension Scheme

Following advice issued by CIPFA regarding Accounting for Defined Benefit Retirement Benefits in the HRA, TDBC has concluded that neither ring-fencing nor resource accounting in the HRA require the HRA to be treated differently from other services on the grounds of proper practice. There is therefore an amount of £46,514 (2013/14 £145,605) included within management expenditure, which reflects the Current Service Costs of the Pension Scheme, in accordance with IAS19. These costs are currently notional and do not represent real cash outflows. Within the Housing Revenue Account these costs are negated by a contribution from the pension reserve.

## Collection Fund

## K Council Tax

The Council's tax base for 2014/15, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply), converted to an equivalent number of Band D dwelling, was calculated as follows:

| Band | Number of Taxable Dwellings After Discount | Ratio | Band D Equivalent Dwellings |
|---|---|---|---|
| A (Disabled Reduction) | 6.25 | 5/9 | 3.47 |
| A | 4,167.37 | 6/9 | 2,778.25 |
| B | 11,480.92 | 7/9 | 8,929.61 |
| C | 8,041.62 | 8/9 | 7,148.11 |
| D | 6,246.56 | 9/9 | 6,246.56 |
| E | 5,163.48 | 11/9 | 6,310.93 |
| F | 3,100.47 | 13/9 | 4,478.46 |
| G | 1,442.79 | 15/9 | 2,404.65 |
| H | 64.75 | 18/9 | 129.50 |
| | 39,714.22 | | **38,429.53** |
| Less Adjustment for Non-Collection of Rates | | | (766.56) |
| Council Tax Base | | | **37,662.97** |

## L Income from Business Ratepayers

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area, which are based on local rateable values multiplied by a uniform rate. The Local Government Act 2012 introduced a business rates retention scheme that enables local authorities to retain a proportion of the business rates generated in their area. TDBC pays 50 per cent to the Government, 9 per cent to Somerset County Council, 1 per cent to Devon and Somerset Fire Authority and retains 40 per cent.

The total non-domestic rateable value at 31 March 2015 was £102,434,192 (31 March 2014 £101,419,865). The standard national non-domestic multiplier for the year was £0.482 (2013/14 £0.471); the national non-domestic small business multiplier for the year was £0.471 (2013/14 £0.462).

## M Band D Council Tax

The breakdown of a Band D Council Tax is shown in the table below.

| 2013/14 | Council Tax Levy at Band D | 2014/15 |
|---|---|---|
| £ | | £ |
| 1,027.30 | Somerset County Council | 1,027.30 |
| 168.03 | Avon and Somerset Police Authority | 171.37 |
| 75.39 | Devon and Somerset Fire and Rescue Authority | 76.89 |
| 135.19 | Taunton Deane Borough Council | 137.88 |
| 1,405.91 | | 1,413.44 |
| 13.96 | Town and Parish Council (average) | 14.49 |
| **1,419.87** | Average Council Tax Levy at Band D | **1,427.93** |

# Glossary of Terms

Local government, in common with many other specialised fields, has developed over the years its own unique set of terms and phrases. This glossary helps to identify some of those terms and phrases, which will be found in this statement.

**Accruals**
The concept that income and expenditure are recognised in the financial records as they are earned or incurred, not as the money is received or paid.

**Amortisation**
The loss in value of an intangible asset due to its use by the Council. Amortisation is a non-cash item, it is merely an accounting assessment.

**Amortised Cost**
The amount at which a financial asset or liability is measured at initial cost minus repayments and impairment, plus or minus the cumulative amortisation of the difference between the initial amount and the maturity amount. Amortisation is worked out using the effective interest rate (EIR).

**Apportionment**
The sharing of costs fairly based upon usage of a service.

**Assets Held for Sale**
Assets held for sale are assets where it is expected that their carrying amount is going to be recovered principally through a sale transaction rather than continued use.

**Assets under Construction**
Assets under construction are assets that are currently being developed and are not yet completed. They are capitalised at cost.

**Band D Equivalent**
A band D is the average property valuation band. This is calculated by multiplying the number of properties by the band D ratio to produce an equated tax base i.e. as if all properties were in band D.

**Billing Authority**
A local authority responsible for the collection of council tax and non-domestic rates.

**Budget Requirement**
The budget requirement is the net revenue expenditure calculated in advance each year by every billing authority and precepting authority. It is important for two reasons; as a step in the valuation of council tax and as a basis for local authority capping. It is calculated as the estimated gross revenue expenditure minus the estimated revenue income, allowing for movements in reserves.

**Capital Charges**
A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of their services; the charges reflect notional depreciation costs only.

**Capital Expenditure**
Expenditure on the purchase or provision of assets, which will be of long-term value to the Council e.g. land, buildings, vehicle, plant and equipment.

**Capital Receipts**
The proceeds from the sale of land and other assets. Capital receipts can be used to finance new capital expenditure, within rules set down by the Government, or to repay debt on existing assets.

**Cash Equivalents**
Cash equivalents are short-term highly liquid investments that are readily convertible into known amounts of cash which are subject to an insignificant risk of changes in value.

**Capital Financing Requirement (CFR)**
CFR measures the Council’s underlying need to borrow or finance by other long-term liabilities for a capital purpose.

**Chartered Institute of Public Finance Accountancy (CIPFA)**
CIPFA is a privately funded professional body with charitable status, which represents accountants working in the public sector. The Institute provides financial and statistical information for local government and other public sector bodies and advises central government and other bodies on local government and public finance matters.

**CIPFA/LASAAC**
This board is responsible for preparing, maintaining, developing and issuing the Code of Practice on Local Authority Accounting in the United Kingdom. The Board is a partnership between CIPFA England and the Local Authority (Scotland) Accounts Advisory Committee.

**Collection Fund**
A statutory fund maintained by a billing authority, which is used to record council tax and non-domestic rates collected by the Council, along with payments to precepting authorities and the national pool of non-domestic rates, as well as into it’s own general fund.

**Collection Fund Adjustment Account**
The collection find adjustment account represents the Council’s share of the collection fund surplus or deficit.

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

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

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

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

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

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

**Debtors**
Amounts owed to the Council but unpaid at the balance sheet date.

**Depreciation**
Represents the reduction in useful economic life of an asset whether arising from use, the passage of time, or obsolescence.

**Direct Service Organisation (DSO)/Direct Labour Organisation (DLO)**
The term direct service organisation (DSO) is used to cover both direct labour organisations (DLO's) established under the Local Government, Planning and Land Act 1980 and DSO's established under the Local Government Act 1988. These organisations are set up by a local authority to provide services subject to compulsory competitive tendering (CCT). Although the requirements of CCT no longer apply to these services, the terms DLO and DSO are still commonly used.

**Earmarked Reserves**
Amounts of money set aside for a specific purpose.

**Estimates**
The amounts which are expected to be spent, or received as income, during an accounting period. The term is also used to describe detailed budgets, which are either being prepared for the following year, or have been approved for the current year.

**Fair Value**
The amount for which an asset could be exchanged, or liability settled between knowledgeable and willing parties in an arm's length transaction.

**Fees and Charges**
Income raised by charging for the use of facilities or services.

**Financial Instruments**
Cash, evidence of an ownership interest in an entity, or a contractual right to receive, or deliver, cash or another financial instrument.

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

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

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

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

**Gross Expenditure**
The total cost of providing the Council's services, before taking into account income from government grant and fees and charges for services.

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

**Housing Revenue Account (HRA)**
Local authorities are required to maintain a separate account – the Housing Revenue Account – which sets out the expenditure and income arising from the provision of housing. Other services are charged

to the general fund. Since 1990/91, local authorities have not been allowed to transfer monies between their General Fund and their HRA; this is known as "ring fencing". Rents charged to council house tenants are set based on convergence with the rents levied by other social housing providers, such as housing associations, by 2016/17.

**IFRS**
International Financial Reporting Standards (IFRS's) are issued by the Accounting Standards Board. The Council's accounts conform to IFRS's where they are applicable to local authorities.

**IFRS Code of Practice**
International Financial Reporting Standards Code of Practice Local Authority Accounting in the United Kingdom - this is the Code produced by CIPFA the Council follows to produce the Statement of Accounts.

**Impairment**
A reduction in the value of fixed assets caused either by a consumption of economic benefits or by a general fall in prices.

**Infrastructure Assets**
Fixed assets that by their nature cannot be sold and therefore expenditure is only recoverable by continued use of that asset. Examples of infrastructure assets are highways and footpaths.

**Inventories**
Inventories include goods or other assets purchased for resale, consumable stores and raw materials.

**Investments**
A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments are classified as such only when it is intended to hold the investment for more than one year or where there are restrictions on the investor's ability to dispose of it. Investments which do not meet the above criteria should be classified as current assets.

**Investment Properties**
Investment Properties are properties which are held by the Council solely to earn rentals or for capital appreciation or for both.

**Liquid Resources**
Assets which are readily convertible into known amounts of cash.

**Loans and Receivables**
Loans and receivables are financial instruments that have fixed or determinable payments and are not quoted on the stock market.

**LGA**
The Local Government Association is the national voice of local government. They work with councils to support, promote and improve local government.

**Minimum Revenue Provision (MRP)**
The minimum revenue provision is the sum required to be met from revenue under current capital controls to provide for the repayment of outstanding borrowings; additional sums may be voluntarily set aside.

**Money Market Funds**
A money market fund is an open-ended mutual fund that invests in short term debt securities.

**Net Book Value**
The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

**Net Current Replacement Cost**
The cost of replacing or recreating the particular asset in its existing condition and for its existing use.

**Net Expenditure**
Gross expenditure less specific service income, but before deduction of revenue support grant.

**Net Realisable Value**
The open market value of the asset in its existing use net of the potential expenses of sale.

**National Non-domestic Rate (NNDR)**
A levy on businesses, based on a national rate in the pound set by the government multiplied by the "rateable value" of the premises they occupy. NNDR is collected by billing authorities. Also known as "business rates", the "uniform business rate" and the "non-domestic rate".

**Operating Lease**
A type of lease, usually for vehicles or equipment, which is similar to renting and which does not come within the government's capital control system. The risks and rewards of ownership of the asset must remain with the lessor for a lease to be classified as an operating lease.

**Post Balance Sheet Events**
Events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Council approves the financial statements.

**Precept**
The levy made by precepting authorities on billing authorities, requiring the latter to collect income from council taxpayers on their behalf.

**Precepting Authorities**
Those authorities which are not billing authorities i.e., do not collect the council tax and non-domestic rate. County councils and police and fire authorities are "major precepting authorities" while parish, community and town councils are "local precepting authorities".

**Property Plant and Equipment**
Property Plant and Equipment is the word used for a group of assets which consist of the following: Council Dwellings, Other Land and Buildings, Vehicles Furniture Plant and Equipment, Infrastructure Assets, Community Assets, Assets Under Construction and Surplus Assets.

**Provisions**
Provisions are amounts set aside in one year for liabilities or losses which are likely or certain to be incurred, but uncertain in timing or value.

**Public Works Loan Board (PWLB)**
A central government agency, which provides long and shorter-term loans to local authorities.

**Rateable Value**
Estimate of the value of a property which is used as a basis for local taxation.

**Re-chargeable Works**
Ad-hoc jobs, the costs of which are recoverable from third parties.

**Reserves**
Reserves are amounts set aside which do not fall within the definition of provisions and include general reserves (or "balances"), which every authority must maintain as a matter of prudence.

**Revenue Expenditure**
This can be defined as expenditure on the day-to-day running of the council.

**Revenue Expenditure funded from Capital under Statute**
Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset.

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

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

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

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

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

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