

# Taunton Deane Borough Council

## Corporate Governance Committee – 24 September 2012

### Approval of the Statement of Accounts 2011/2012

#### Report of the Strategic Director, Shirlene Adam

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

#### 1 Executive Summary

The Statement of Accounts for 2011/12 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 Reed). The Statement of Accounts document is attached to this report.

This report also introduces the Annual Governance Report which was prepared by and will be presented by the Council's external auditors – Audit Commission.

#### 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 2012. The audited Statement of Accounts must be approved by Committee by 30 September. 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 have been audited by the Audit Commission and are attached to this report, and at the time of writing this report Audit Commission intend unqualified opinion, as reported in the Annual Governance Report earlier on the agenda for this meeting.

#### 3 Statement of Accounts

- 3.1 The Statement of Accounts for 2011/12 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 2011/12.

- 3.2 Last year there were a large number of changes to the layout of the Accounts due to the transfer from UK Generally Accepted Accounting Practices (UK GAAP) to an IFRS basis.
- 3.3 In 2011/12 there were a small number of changes to the Code of Practice Guidance used to prepare the accounts, including:
  - Recognition of Heritage Assets
  - Changes to the service expenditure analysis
- 3.4 The changes mentioned above resulted in the need to restate the opening balances included in the 2011/12 accounts. The changes are described in the next two paragraphs.
- 3.5 Heritage Assets – Heritage Assets are assets which have historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. The Council recognised £141k worth of Heritage Assets in 2011/12. These are items that have not previously been recognised in the accounts.
- 3.6 Service expenditure analysis – in 2011/12 the Council was required to split the line included in the Comprehensive Income and Expenditure Account previously called Cultural, Environmental, Regulatory and Planning Services into three separate lines called:
  - Culture and Related Services
  - Environmental and Regulatory Services
  - Planning Services
- 3.7 This change has not resulted to a change in the bottom line, it is just presentational.
- 3.8 The Statement of Accounts contain four main statements reflecting the position of the Council at 31 March 2012:
  - Movement in Reserves Statement
  - Comprehensive Income and Expenditure Statement
  - Balance Sheet
  - Cash Flow Statement
- 3.9 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**

- 3.10 This account shows the changes in the Council's financial resources over the year by showing the movement on the reserves held by the Council. The reserves are analysed into usable (these can be used to fund spending) and unusable reserves (reserves that cannot be spent as they contain technical accounting adjustments that do not represent available funding).
- 3.11 The total of the Council's Usable (capital and revenue combined) reserves have decreased by £1.975m in year. The main change is on the Capital Grants Unapplied (£1.730m) reserve which was used to fund the Capital Programme in 2011/12 – the funding used was mainly Growth Point Grant used to fund Project Taunton Projects.
- 3.12 The Statement shows that both the General Fund and Housing Revenue Account (HRA) balances are above the minimum level required in the Council's financial strategy, with General Fund Reserves increasing from £2.937m to £3.336m, and HRA balances decreasing from £1.594m to £1.356m in year.

## **Comprehensive Income and Expenditure Statement**

- 3.13 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" this includes accounting adjustments such as depreciation, impairment and revaluation losses and other types of accounting adjustments. The accounting 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.
- 3.14 In the Comprehensive Income and Expenditure Statement for 2011/12 there is a line for the one off payment of £85.198m for the settlement payment to Central Government for HRA self financing. This is identified separately as it is a material item within the accounts. There is an entry in the Movement in Reserves statement that offsets this charge so that it doesn't impact on Rent Payers and the funding available in one year. The repayment of debt is planned over the next 18 years in line with the approved HRA 30 Year Business Plan.
- 3.15 The net cost of services has decreased from 2010/11 by around £4.8m when you exclude the one off items for the HRA revaluation loss, HRA self financing settlement payment and the change in the inflation rate for retirement benefits.

- 3.16 The Outturn was reported to Executive on 11 July 2012. This report included information relating to the Council's financial performance for the 2011/12 financial year. The report highlighted key variances to the budget and provided explanations for these.

### **Balance Sheet**

- 3.17 The Balance Sheet provides a snapshot of the Council's financial position as at 31 March 2012.
- 3.18 The Balance Sheet shows that net assets have decreased by £106m from £257m in 2010/11 to £151m in 2011/12. This is mainly due an increase in the long term liabilities of the Council of £105m which relates to the HRA debt settlement borrowing of £85m and an increase in the pension liability of £20m.

### **Cashflow Statement**

- 3.19 The cash flow statement summarises the flows of cash and cash equivalents into and out of the Council during the year.
- 3.20 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.
- 3.21 During the year the Council's cash and cash equivalents decreased by £5.003m. The main reason for the decrease is due to investments increasing by £2.5m.

### **Housing Revenue Account**

- 3.22 The Housing Revenue Account (HRA) Income and Expenditure Account shows the economic cost in year of providing housing services.
- 3.23 The HRA for 2011/12 shows that income for the year has increased from 2010/11 by £1.4m, mainly reflecting the approved increase in dwelling rents. Expenditure excluding depreciation, impairment has gone up by £1.2m reflecting increased negative subsidy and higher management and maintenance costs. The costs in 2011/12 also includes the one off £85.2m self financing payment – please refer to paragraph 3.14 above.

### **Collection Fund**

- 3.24 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. 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.

3.25 The statement shows that the Council has collected £96.4m on behalf of the precepting authorities and Central Government. This is made up of the following: council tax income £58.2m, business rates income £37.5m and contributions from the preceptors towards the previous years' collection fund deficit: £0.7m.

3.26 The statement currently shows a surplus of £1.719m of which £178k is attributable to TDBC.

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

4.1 The Audit Commission intend to issue the Council with an “unqualified” opinion on the Statement of Accounts. This is good news and means that the Auditor agrees that the Accounts provide a “true and fair view” of the financial position.

4.2 During the audit there were a number of minor amendments to the Draft Accounts. These were presentational only and did not affect the overall financial position of the Council; however action has been taken to ensure these do not occur in future. The main amendments made are shown in the table below:

<b>Area</b>	<b>Problem</b>	<b>Action</b>
1.Related Party Disclosure	There were nine Members who did not complete their declarations of interest and some that were completed did not explain the relationship with other organisations. Increased disclosures were required to comply with the Code of Practice.	The note was amended to reflect the new information from Members once the outstanding declarations had been received. Additional information was added to comply with the Code.
2. Members Expenses Note 30	Note was compiled using payroll data and some coding inaccuracies were identified.	Ensure accuracy of coding of Members allowances through budget monitoring.
3. Capital Financing Note 35	Due to the interpretation of the guidance received this note did not include the one off payment for self financing.	Note has been amended to include the self financing payment.

<b>Area</b>	<b>Problem</b>	<b>Action</b>
4. Cash Flow Statement	One accrual had been incorrectly classified as revenue when it should have been capital which meant it was on the wrong line in the cash flow statement. An adjustment was also required to the investments cash flow due to a spreadsheet error.	Cash flow statement and notes were amended. Action has been taken to ensure this doesn't happen again.

## **5 Legal Comments**

5.1 There are no legal comments.

## **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 The preparation of the Statement of Accounts is carried out by Southwest One on behalf of the Council.

## **12 Recommendations**

Members are recommended to:

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

12.2 Approve the 2011/12 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**

Corporate Scrutiny - 21 June 2012 – Financial Outturn 2011/12

Executive – 11 July 2012 – Financial Outturn 2011/12

**Taunton Deane Borough Council**

**Audited Statement of Accounts 2011/12**



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## Foreword by the Section 151 Officer

### A SUMMARY OF THE COUNCIL'S FINANCIAL PERFORMANCE 2011/12

This foreword highlights some of the most important matters reported in the accounts and comments on any issues that have had a major effect on our finances.

### THE FINANCIAL STATEMENTS

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

- The **Movement in Reserves Statement** (pages 17 and 18) shows the changes in the Council's financial resources over the year, by showing the movement on the different reserves held, analysed into 'usable reserves' (that can be used to fund spending) or other reserves
- The **Comprehensive Income and Expenditure Statement** (page 19) brings together details of the Council's day-to-day revenue spending and income on its services, and other gains and losses in the year.
- The **Balance Sheet** (page 200) 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 211) summarises the flows of cash into and out of the council during the year.
- The **Notes to the Financial Statements** (pages 22-90) provide supplementary information on some of the figures contained within the primary statements. They also include accounting policies, which guide the treatment of income and expenditure and disclosures relating to the assets and liabilities of the Council.

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

### IMPORTANT DEVELOPMENTS

#### Housing Revenue Account Self Financing

Introduced under the Government's localism agenda, the way local authority council housing is funded is changing dramatically from April 2012. During the year the Council has completed a major programme of work and consultation to prepare for this, culminating in the approval of a 30 Year Business Plan for the Housing Revenue Account in February 2012. 2011/12 is the final year when the council will have to pay a "negative subsidy" to the government – around £7m. In order to "buy out" of the previous subsidy system the Council has had to make a large one-off payment of £85.2m to the government, and has had to take on additional borrowing of this amount in order to fund this payment. This is reflected as a material item on the face of the Comprehensive Income and Expenditure Statement in this year's accounts. Whilst this change is seen as positive for the tenants over the long term, it also brings transfer of risk from central government to the Council, and this has been taken into account in the development of the Business Plan.

#### Responding to Funding Cuts and Our Budget Review Programme

The Government's Comprehensive Spending Review (CSR) in 2010 signalled a sharp change in the funding landscape for local authorities as measures are taken to address the national debt, including a 28% reduction in local government costs over 4 years. Through the CSR, the funding settlement showed a 13.2% (£0.909m) cut in grant funding for this council in 2011/12, with a further 11.2% (£0.671m) cut in 2012/13.

The Council took the necessary steps to produce a balanced budget for 2011/12. During the current year the Council undertook an extensive Budget Review Programme to identify options to address increasing financial pressures over the medium term. The first tranche of measures that the Council approved in February 2012 helped to set a balanced budget for 2012/13, including addressing the loss of funding highlighted above.

**Organisational Changes**

During 2011/12 the Council concluded the final element of the Core Council Review which has concluded the implementation of structural reviews and changes required to deliver thematic working. This included restructuring of the Corporate Management Team and corporate support functions, and strengthening its support for growth and regeneration. As well as driving the shape of the organisation the changes have delivered significant savings to the organisation, and have created a structure that is fit for purpose and will deliver our vision.

**DLO Transformation Programme**

During the year the Council agreed a Transformation Programme to modernise and increase efficiency of its Direct Labour Organisation (DLO). The first phase of the programme has progressed well including a restructure of management and supervision arrangements. The restructuring and improvements will deliver significant savings for the organisation in future years.

**Project Taunton**

Work continued on the Firepool site with our development partner St Modwens, with the development of the new Viridor building on the site, which is due to be opened in 2012. The development of this site is a significant step in the regeneration of Taunton, described more fully in Note 3 on page 38. A number of other key projects have completed or have commenced during the year including improvements to open public space in Goodlands Gardens, improvements to Taunton High Street, and works commencing on transforming Castle Green Car Park and surrounding area into an open public amenity area.

**Debt Collection**

The Council, working with its partner Southwest One, has made significant improvements in the levels of debt collected during 2011/12. The collection rates for council tax, business rates, and rents have all increased. The overall amount of the Council's older sundry debtors has reduced dramatically, continuing the trend from the previous financial year and reflecting focussed action to recover these debts or decisions to write-off debt that is not recoverable.

**FINANCIAL OVERVIEW**

The Movement in Reserves Statement shows that the Councils usable reserves have increased during the year.

General Fund unearmarked reserves or 'general balances' have increased to £3.3m. Later in this foreword I explain the financial challenges and risks faced by the Council, and having reserves at this level provides some resilience as the Council takes the necessary steps to maintain a robust and sustainable financial position.

The Housing Revenue Account (HRA) unearmarked reserve has reduced to £1.4m. The HRA unearmarked reserve is in place to support housing landlord services in future years and it is normal for the balance to fluctuate. The balance remains above the minimum level set within the Council's financial strategy for 2011/12, and is budgeted to increase to around £1.8m in the next financial year in line with the additional risks and plans recognised in the new HRA Business Plan.

Earmarked reserves are funds that are set aside for specific purposes reflecting commitments to spend on General Fund and HRA services in future years. The balance on these reserves in March 2012 is £6.562m for General Fund (GF) services and £0.510m for HRA services.

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 2012/13 capital programme. The Council currently holds £3.612m of capital reserves.

**Revenue Budget – General Fund**

In February 2011 this Council approved a Net Budget of £11.9m for 2011/12. In setting the budget the Council also agreed to a Council Tax Freeze which meant the Band D Council Tax remained at £135.19 - the same as the previous year. The original budget included a planned transfer to General Reserves of £0.1m, however decisions during the year to use reserves to fund restructuring and also to return some surplus earmarked reserves to general balances meant the final budget for the year included a planned transfer from reserves of £0.13m.

The net outturn for 2011/12 was £11.6m, resulting in a significant underspend of £0.53m for the year. The net underspend arises for a variety of reasons. The Council faced significant budget pressures due to a drop in anticipated income from car parking in the year, but action to contain spending in other areas, and also a reduction in the need to provide for bad debt – as overall debt levels have reduced – helped to produce the net underspend for the year.

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

### **Revenue Expenditure – Housing Revenue Account (HRA)**

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 HRA only accounts for the costs and income related to housing people in 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 expenditure on the HRA was a deficit of £0.2m in 2011/12, which represents a small underspend of just under £0.1m compared to Budget. Although the Council's internal management reports reflect a small deficit for the year, the position in the financial statements is significantly different to this. This is because of the large one-off Self Financing Settlement payment of £85.2m (see above) which is reflected as a material cost within the Surplus/Deficit on the Provision of Services related to the council housing stock. This is explained further in Note 5 on page 41, and although a significant figure, it does not affect the Housing Revenue Account reserves as the cost is recognised as capital expenditure under legislation and is adjusted out in the Movement in Reserves Statement.

### **Capital Spending In 2011/12**

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 £8.5m (£11.5m in 2010/11), which is some £4.4m below the budget for the year. The General Fund programme reported an underspend of £4.2m, but the Council will carry forward £4.5m budget related to commitments on projects where costs/works will roll over into 2012/13 (£2.4m on a range of 'Project Taunton' schemes, £1m for mercury abatement works at the Crematorium, £0.9m related to support for affordable housing plus other minor scheme balances). The Housing Revenue Account programme was underspent by £0.2m mainly related to needs-led areas of accessibility adaptations to the housing stock. Funding for slippage will be carried forward into the following financial year until the project is complete (thereby ensuring that overall the programme as a whole remains affordable).

Included within the total capital expenditure was Housing capital expenditure of £4.8m (£7.7m in 2010/11), of which £4.2m was spent on council properties; and £0.6m on Renewal Grants, grants to Housing Associations, and Disabled Facilities Grants. During the year 11 dwellings were sold compared to 11 in the previous year.

The remaining £3.7m of capital expenditure was invested in non-housing projects during the year. This included £2.4m on open space improvements, infrastructure works and growth projects related to Project Taunton; £0.6m on play areas and equipment; £0.3m to progress the crematorium mercury abatement works, with the balance invested in information technology, vehicles and other minor schemes.

Overall the Council has sufficient resources available to meet its approved capital programme in 2012/13 but recognises that further funds will be required to meet all our future aspirations.

### **Pensions**

The Council's share of the overall Pension Fund deficit increased from £45.4m at 31 March 2011 to £65.5m at 31 March 2012. The deficit has increased by some 44%, which is largely due to an increase in the actuarial valuation of future pension obligation (taking into account a wide range of assumptions).

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. Funding of the deficit will be met in future years by a combination of increased contributions and changes in the value of the Pension Fund. Actuarial valuations are made every three years and these will guide the Council in addressing the amount of the deficit.

### **Treasury Management**

At 31 March 2012, the Council held investments of £9.8m (£12.3m in 2010/11). The return on these investments included in the revenue accounts amounted to £0.237m (£0.115m in 2010/11).

Total borrowing amounted to £95.0m at 31 March 2012 (£15.8m in 2010/11), of which £0.801m (including accrued interest) is repayable in 2012/13. The cost of borrowing and management of debt charged to the revenue accounts during 2011/12 was £0.67m (£0.64m in 2010/11).

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

## **LOOKING TO THE FUTURE**

### **Budget Challenges**

For 2012/13 the Council has produced a balanced budget (£11.4m Net Budget) with a 0% increase in council tax (Band D Tax remains at £135.19) for the second consecutive year.

As mentioned above the Government has been clear on the continued need for cuts in public sector spending, with a cut of 11.2% in 2012/13 on top of the 13.2% cut in the previous year. This had reduced the Council's underlying funding by some £1.6m. At this stage it is uncertain what the funding will be for the coming years but we believe there will be further cuts and are planning for a further reduction in funding of around 20%, or £1m, over the next two years.

The Council continues to review spending, building on the work undertaken during the Budget Review Programme in 2011, and will be developing a new Corporate Business Plan during 2012 that will set out the vision, ambitions and objectives for the council, and ensuring that these are affordable in the context of the financial challenge and risks faced. The Plan will also provide 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, and will continue to look at innovative ways to deliver and charge for services.

### **HRA Self Financing and Social Housing Investment**

2012/13 will be the first year of delivering the new 30-Year HRA Business Plan. One of the exciting aspects of the new self financing environment is the renewed ability to invest in additional council-owned housing within the HRA, and a social housing development fund has been created, rising to £1m per year, to enable the Council to invest in additional affordable housing. The Government has also recently introduced new measures to "reinvigorate" right to buy sales by increasing the level of discount available to tenants that are eligible to and wish to purchase their homes. This is likely to see an increase in interest leading to increased numbers of sales, which will need to be closely monitored and reflected in terms of the impact of the long term for the HRA Business Plan. Alongside this the government has introduced new powers to enable the Council to retain a larger share of the sales proceeds to reinvest in replacement rented affordable homes in the Borough.

### **DLO Transformation**

The DLO is our skilled workforce which supports the maintenance of our Council homes, the maintenance of our parks and playing fields, and the cleansing of the Boroughs streets – as well as many other services. The DLO Transformation Programme agreed in 2011 will continue, with important developments around asset utilisation and system improvements planned over the next two years to underpin and further improve the efficiency of the organisation.

**Local Government Resource Review**

The Government has consulted on proposals to radically reform the way in which local authorities are funded. This is based on moving away from the current needs-based formula funding arrangement, to one that provides a strong incentive for local authorities to go for growth. A new Business Rates Retention Scheme will be introduced from April 2013. Currently, business rates are pooled nationally and then redistributed to individual local authorities through the formula grant. The new funding arrangement will see local authorities retain 'baseline funding' by applying the 2012/13 formula grant process to the Government's 2013/14 and 2014/15 spending control totals. With certain limits, the Council will be able to keep a proportion of any increase in total business rates raised in the district, and will also be at risk of a drop in funding if business rates raised falls below the baseline.

The Council is currently working through technical guidance and will be developing its modelling and forecasting processes to estimate its future funding, but this change will bring greater uncertainty and risk to our funding arrangements that will be taken into account in the Council's Medium Term Financial Plan.

**Welfare Reform – Localised Support for Council Tax**

At the Spending Review 2010 the Government announced that it would localise support for council tax from April 2013, reducing expenditure by 10%. The Welfare Reform Act 2012 contains provisions for the abolition of Council Tax Benefit, and subsequently the Local Government Finance Bill (introduced to Parliament 19 December 2011) imposes a duty on billing authorities to make a localised council tax reduction scheme (CTRS) by 31 January 2013. Working in collaboration with the County Council and other Somerset district councils, TDBC will be consulting during 2012 on the design of such a scheme.

Whereas at present the Government fully-funds actual costs of Council Tax Benefit, from 2013/14 the Government will pay a fixed grant to the billing authority - this Council - plus the major precepting authorities - Somerset County Council, Devon & Somerset Fire & Rescue Authority, and the Police Authority - and any difference between the costs of the local scheme and the grant received will be met by the billing authority and precepting authorities. This therefore passes funding risk for support for council tax from central to local government. This will be taken into account in the Council's Medium Term Financial Plan.

**Welfare Reform – Benefit Changes**

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. 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 also potentially affecting income collection. The council will incorporate the estimated impact within its Medium Term Financial Plan.

**FURTHER INFORMATION**

Summarised information from these accounts can also be found in the Council's Annual Report or on the Council's website ([www.tauntondeane.gov.uk](http://www.tauntondeane.gov.uk)).

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

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## 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 Strategic Director;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

### The Strategic Director is required to:

The Strategic Director 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 Strategic Director 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 Strategic Director 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 2012 and its income and expenditure for the year ended 31 March 2012.

S Adam FCCA  
Strategic Director  
Section 151 Officer

24 September 2012

### Approval of the Accounts

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

David Reed  
Chair of Corporate Governance Committee

24 September 2012

# Taunton Deane Borough Council Annual Governance Statement

## Scope of responsibility

Taunton Deane Borough Council is responsible for making sure that:-

- its business is conducted in accordance with the law and proper standards
- public money is protected and properly accounted for
- public money used economically, efficiently and effectively.
- there is a sound system of governance incorporating the system of internal control.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

Taunton Deane Borough Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework "*Delivering Good Governance in Local Government*". A copy of the code can be obtained on request.

This statement explains how Taunton Deane Borough Council has complied with the code and also meets the requirements of regulation 4 of the Accounts and Audit (England) Regulations 2011 in relation to the publication of statement on annual governance.

## Purpose of the Governance Framework

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

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

The governance framework has been in place at Taunton Deane Borough Council for the whole year ended 31 March 2012 and up to the date of approval of the statement of accounts.

## The Governance Framework

In March 2008, Taunton Deane Borough Council adopted a formal code of corporate governance in line with guidance provided by CIPFA and SOLACE. This describes how Taunton Deane discharges its responsibilities for putting in place proper arrangements for the governance of its affairs, incorporating the six core principles identified by CIPFA / SOLACE. The framework we have in place to ensure we adhere to the Code is described in more detail below.



**Core Principle 1 : Focusing on the purpose of the Council and on outcomes for the community creating and implementing a vision for the local area.**

- The Council has a 3 year Corporate Strategy, which sets out the corporate aims and a series of organisational objectives embodying how the council will deliver services and meet statutory requirements. The Corporate Strategy is the Council's core planning document, from which the Financial Strategy, Medium Term Financial Plan, Annual Budget, Asset Management Plan, Capital and Housing Strategies are formed to underpin the corporate aims. Service Plans are produced from the Corporate Strategy to show how each service will contribute to the delivery of the Corporate Aims and its service objectives.
- The Performance Outturn Report and Annual Accounts review our performance over the last year, highlighting some practical examples of our achievements.
- Scrutiny Committees and the Executive regularly review our performance and delivery of the plans and priorities.
- The Taunton Deane Partnership has refocused its activities following consultation with partners and the local community. Its main area of work is tackling deprivation through the Priority Areas Strategy (PAS) which focuses activity on both acute urban and rural deprivation. The PAS contains four themes: building strong communities, improved access to services, improving the lives of the most vulnerable families and improving the look and feel of priority areas. The PAS has been adopted and will be delivered through partners from June 2012.

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

- The Council's constitution documents the roles and responsibilities of the Council, Executive, Scrutiny, Policy Development, Regulatory and Officer functions. The constitution is kept under review by the Constitutional Sub-Committee. All proposed changes are considered by the Corporate Governance Committee and Full Council. This was last reviewed and updated during 2010/11.
- The Statutory Officers meet as a Corporate Governance Group. The Monitoring Officer and S151 Officer are members of the Corporate Management Team.
- The Group Leaders, Chief Executive and other relevant key officers meet monthly to share information and discuss any issues for the authority.
- The strategic direction of the organisation and sponsorship of key objectives and priorities is undertaken by the Corporate Management Team, which consists of the Directors, Theme Managers and a representative of Southwest One – who meet on a fortnightly basis with the Chief Executive. In addition to this the Chief Executive and Directors meet on alternative fortnights.
- The Leader and Chief Executive meet on a regular weekly basis in order to maintain a shared understanding of roles and objectives.
- The statutory roles of Monitoring Officer and Chief Finance Officer are well established with their own control regimes to enhance the control environment.
- There is a member/officer protocol that sets out the standards of behaviour expected to ensure a good working relationship between members and officers.
- Portfolio holders and the shadow portfolio holders meet key officers on a regular basis to discuss relevant issues within their portfolio.

- We review our financial management arrangements on a regular basis to ensure they conform to the requirements of CIPFA Statement on the Role of the Chief Finance Officer in Local Government (2010) as set out in the Application Note to Delivering Good Governance in Local Government: Framework. The review confirmed that during the financial year 2011/12 the Council complied with these requirements.

### **Core Principle 3: Promoting the values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

- The Council's Standards Committee is chaired by and has a majority of independent members. The Committee promotes and maintains high standards of conduct by Councillors, advising and training on the member's code of conduct, dealing with complaints against members, and any issues raised by the Monitoring Officer. The Committee submits an annual report to the Council's Corporate Governance Committee.
- Managers are responsible for making sure members of staff keep to policies, procedures, laws and regulations and for making sure that we include risk management in our work.
- A complaints procedure is in place for the Council to receive and investigate any complaint made against Borough or Parish members.
- The Council has revised its Whistle-blowing Policy and this is published in the Council's staff handbook and intranet. The handbook contains all key personnel policies, standards, procedures and codes of conduct.
- During the year there was unfortunately a breach of confidentiality. As part of the budget setting process members were all given a pack of papers relating to various options to help balance the budget. The packs were distributed to members and all members had to sign an undertaking to keep the information confidential. Unfortunately one of these packs was leaked to the local press. Following the leak an investigation was undertaken. In addition restrictions were put in place limiting the circulation of confidential information until the investigation had been completed. The results of the investigation revealed that although there was circumstantial evidence pointing to a particular member it was not conclusive and therefore no formal action could be taken. During the investigation SWAP also reviewed the processes that the Council had undertaken when distributing the confidential pack of papers and stated that nothing further could have been done to have prevented the leak.
- The Council has updated its Corporate Debt Management Policy and this is has been shared with staff.
- Internal and External audit work together to review and provide annual opinions on the control framework, governance and validity of the annual accounts.

### **Core Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and risk management arrangements**

- Taunton Deane Borough Council has a published Constitution that sets out the decision-making arrangements and the responsibilities for different functions. There are clear rules of procedure for the running of business meetings and details of delegated authorities to individuals.
- Corporate Scrutiny and Community Scrutiny were set up in April 2009. Performance issues identified in the monitoring reports can be referred to other committees for further scrutiny.
- The main decision making body of the Council is the Executive, which consists of the Leader together with 7 Councillors and carries out all of the Council's functions, which are not the responsibility of any other part of the Council.

- Council meetings are open to the public (with the exception of items that are exempt under the Access to Information Act). The Council makes every effort to advertise meetings, communicate decisions and minutes to ensure they are publicly available.
- The Executive has a published Forward Plan of Decisions to be taken and meets in public on a monthly basis. Executive Councillors have delegated authority to make certain decisions, which are published in the Council's Weekly Bulletin. This, together with an appropriate level of delegation to senior managers, enables speedy and effective decision-making. In addition, all draft Executive minutes are circulated with a call-in pro-forma to all councillors, ensuring a prompt response to any request.
- The Council has in place a Risk Management Strategy which ensures that Risk Management within the Council is aligned with our partner organisations. The strategy sets out clear limits of responsibility for risk management across the Council. Major projects and partnerships also have risk registers in place and CMT has refreshed the Corporate Risk Register during the course of the year.
- The Council held several information meetings surrounding the HRA reforms to explain the changes and what it would mean for the Council. This allowed members to ask questions throughout the formation of the business plan and finance model. This enabled members to make an informed decision on a very important area for the Council.
- TDBC operates a Corporate Governance Committee which is independent of the Executive and Scrutiny functions of the Council. They cover a wide remit and deal with such things as health and safety, risk management, recommend changes to the Constitution in addition to receiving any audit reports given to the Authority.

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

- The Council aims to ensure that officers and members have the knowledge, capacity and skills they need to undertake their duties, and this is reviewed through the appraisal system. An induction programme is in place for all new staff and new Members.
- Following the local elections a comprehensive induction programme was undertaken with members to ensure that they were given the relevant information in order to enable them to carry out their roles as quickly as possible. Comments received back following this training were very positive and supportive.
- All staff have a performance review and employee development (PRED) meeting with their manager. Performance is reviewed and an action plan for the next period is set. This assists the member of staff in the performance of their work, help develop their skills and identify any training needs. Members have member development plans to help them carry out their roles effectively.
- The Council's Performance Management Framework ensures that the links between the Council's Corporate Objectives, Operational Plans and those of individual officers are clear.
- Members of the Council's Corporate Governance Committee have undergone training in Risk Management during the year and received update reports outlining the current Risk Management arrangements and any future actions. Council committee reports include a standard section for the consideration of risks, which informs decision-making.
- The Council has undertaken a significant programme of management development over the last few years to ensure its leadership team is equipped to support the challenging change programme that lies ahead.

- The Council has a training plan for members together with regular member briefings which cover a range of issues and to ensure that the members are fully equipped with the skills they need in order to be effective leaders in their community.

### **Core Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability**

- The Council consults using a variety of methods, which include public meetings, forums, surveys, feedback forms and focus groups. Listening to and understanding the views of residents, services users, business people, visitors and staff is important to Taunton Deane Borough Council.
- Comprehensive consultation on the HRA 30 year business plan took place to ensure that views and priorities of stakeholders were considered in developing the plan.
- Council's vision and priorities are regularly communicated to the Community through the Somerset County Gazette
- The Council produces the Annual Statement of Accounts. The Council tax booklet shares with payers, details on the Council's financial strategy, priorities, performance and other useful information.
- Committee and Council meetings are open to the public, with papers available on the internet.
- There is regular community engagement and participation through specific community groups involving Housing, Environmental Health, Planning and Democratic Services.

### **Review of effectiveness**

Taunton Deane Borough Council has responsibility for conducting, at least annually, a review of its governance framework including the effectiveness of the system of internal control. The review of the effectiveness is informed by senior managers within the Council who have responsibility for the development and maintenance of the governance environment, and also by the work of the internal auditors, external auditors.

The review for the 2011/12 statement was led by the Deputy s151 Officer, supported by the Monitoring Officer, the Council's Group Audit Manager and Performance Manager. The review was informed by:

- Internal Audits annual opinion report for 2011/12
- The effectiveness of internal audit review
- External auditors comments
- The Councils Governance Action Plan
- Input From The Work Of the Standards Committee

The conclusion of the review is that, overall, the governance arrangements are reasonable. Some issues need attention and they are set out below.

### **Significant governance issues**

During the year the Group Auditor (South West Audit Partnership) brought a number of control issues to the attention of the Council's Corporate Governance Committee. The opinion of the Internal Auditors was that the control environment was reasonable in 2011/12.

Key governance issues for the Council to progress in order to strengthen the control framework include:-

<b>Governance Issue</b>	<b>Owner</b>
Ensuring we have up to date business continuity plans for all services	John Lewis
Ensuring we have up to date disaster recovery plans for major risk areas of the Council	Southwest One
Ensuring our Partnerships realise the benefits they are intended to achieve	CMT
To update the Council's policy on Fraud and Corruption	Tonya Meers
To develop the Council's Strategic IT and Property arrangements	Southwest One
To continue to review the operation of and usage of SAP to ensure that the internal control framework remains robust	Maggie Hammond
To update the Council's Financial Procedure Rules, train staff and monitor compliance	Maggie Hammond
To update the Contract Procedure Rules	Tonya Meers
Maintenance of the Contract Register	Southwest One
Adopt new Code of Conduct and changes to the Standards regime and ensure all Members are trained	Tonya Meers
Ensure we review the publication scheme for FOI	Chris Gunn/Tonya Meers
Ensure that robust Equality Impact Assessments are included in Scrutiny and Executive reports	Simon Lewis
Ensure the Council has appropriate policies and arrangements in place to comply with safeguarding legislation	Simon Lewis
Update the Workforce Strategy (ensuring that there are clear links to financial planning) and complete & agree a new workforce plan	Martin Griffin
Use comparative information such as benchmarking to inform strategic decisions on the allocation of resources	Dan Webb
Introduce a rolling information governance training and awareness program	Tonya Meers
Ensure all risks around the Welfare Reform Act are identified and mitigated wherever possible	Paul Harding

The Council proposes over the coming year to take steps to address the above matters to further enhance our governance arrangements and regularly report back to the Corporate Governance Committee on progress being made. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

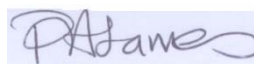
Signed:



John Williams

**Leader of the Council**

Signed:



Penny James

**Chief Executive**



## **Independent Auditors Report to the Members of Taunton Deane Borough Council**

The Auditors report will be added here to the Statement of Accounts when the audit had been finalised.

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## 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
<b>Balance as 31 March 2010 carried forward</b>	<b>1,564</b>	<b>7,366</b>	<b>2,647</b>	<b>1,537</b>	<b>760</b>	<b>0</b>	<b>5,288</b>	<b>19,162</b>	<b>315,305</b>	<b>334,467</b>
Prior Period Adjustment	0	0	0	0	0	0	0	0	141	141
<b>Balance as 1 April 2010 carried forward</b>	<b>1,564</b>	<b>7,366</b>	<b>2,647</b>	<b>1,537</b>	<b>760</b>	<b>0</b>	<b>5,288</b>	<b>19,162</b>	<b>315,446</b>	<b>334,608</b>
<b>Movement in Reserves during 2010/11:</b>										
Surplus or (deficit) on provision of services	5,943	0	(76,329)	0	0	0	0	(70,386)	0	(70,386)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(7,512)	(7,512)
<b>Total Comprehensive Income and Expenditure</b>	<b>5,943</b>	<b>0</b>	<b>(76,329)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(70,386)</b>	<b>(7,512)</b>	<b>(77,898)</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	(5,245)	0	74,315	0	194	0	(862)	68,402	(68,402)	0
<b>Net Increase/Decrease before transfers to Earmarked Reserves</b>	<b>698</b>	<b>0</b>	<b>(2,014)</b>	<b>0</b>	<b>194</b>	<b>0</b>	<b>(862)</b>	<b>(1,984)</b>	<b>(75,914)</b>	<b>(77,898)</b>
Transfers (to)/from Earmarked Reserves (Note 8)	431	(431)	956	(956)	0	0	0	0	0	0
Reclassification of Earmarked Reserves between funds	244	(76)	5	0	0	0	0	173	0	173
<b>Increase/(Decrease) in 2010/11</b>	<b>1,373</b>	<b>(507)</b>	<b>(1,053)</b>	<b>(956)</b>	<b>194</b>	<b>0</b>	<b>(862)</b>	<b>(1,811)</b>	<b>(75,914)</b>	<b>(77,725)</b>
<b>Balance at 31 March 2011 carried forward</b>	<b>2,937</b>	<b>6,859</b>	<b>1,594</b>	<b>581</b>	<b>954</b>	<b>0</b>	<b>4,426</b>	<b>17,351</b>	<b>239,532</b>	<b>256,883</b>

## 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
<b>Balance as 31 March 2011 carried forward</b>	<b>2,937</b>	<b>6,859</b>	<b>1,594</b>	<b>581</b>	<b>954</b>	<b>0</b>	<b>4,426</b>	<b>17,351</b>	<b>239,532</b>	<b>256,883</b>
<b>Movement in Reserves during 2011/12:</b>										
Surplus or (deficit) on provision of services	(2,898)	0	(85,546)	0	0	0	0	(88,444)	0	(88,444)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(17,245)	(17,245)
<b>Total Comprehensive Income and Expenditure</b>	<b>(2,898)</b>	<b>0</b>	<b>(85,546)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(88,444)</b>	<b>(17,245)</b>	<b>(105,689)</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	3,014	0	85,223	0	(38)	0	(1,730)	86,469	(86,469)	0
<b>Net Increase/(Decrease) before transfers to Earmarked Reserves</b>	<b>116</b>	<b>0</b>	<b>(323)</b>	<b>0</b>	<b>(38)</b>	<b>0</b>	<b>(1,730)</b>	<b>(1,975)</b>	<b>(103,714)</b>	<b>(105,689)</b>
Transfers (to)/from Earmarked Reserves (Note 8)	283	(283)	85	(85)	0	0	0	0	0	0
Other movements*	0	22	0	(22)	0	0	0	0	0	0
<b>Increase/(Decrease) in 2011/12</b>	<b>399</b>	<b>(297)</b>	<b>(238)</b>	<b>(71)</b>	<b>(38)</b>	<b>0</b>	<b>(1,730)</b>	<b>(1,975)</b>	<b>(103,714)</b>	<b>(105,689)</b>
<b>Balance at 31 March 2012 carried forward</b>	<b>3,336</b>	<b>6,598</b>	<b>1,356</b>	<b>474</b>	<b>916</b>	<b>0</b>	<b>2,696</b>	<b>15,376</b>	<b>135,818</b>	<b>(151,194)</b>

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

## 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.

RESTATED 2010/11				2011/12		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
8,459	(7,344)	1,115	Central services to the public	8,725	(7,728)	997
4,274	(752)	3,522	Cultural and Related Services	3,749	(668)	3,081
6,907	(2,250)	4,657	Environmental and Regulatory Services	7,364	(2,235)	5,129
7,399	(2,171)	5,228	Planning Services	5,684	(1,813)	3,871
4,772	(4,760)	12	Highways and transport services	2,127	(4,295)	(2,168)
21,247	(20,950)	297	Local Authority housing (HRA)	22,816	(22,601)	215
74,679	0	74,679	Local Authority housing – revaluation losses on dwellings	0	0	0
0	0	0	Local Authority Housing – settlement payment to Government for HRA self - financing	85,198	0	85,198
31,603	(28,582)	3,021	Other housing services	33,034	(31,130)	1,904
1,374	(25)	1,349	Corporate & Democratic Core	1,665	(394)	1,271
0	(9,890)	(9,890)	Non distributed costs – change in inflation factor for retirement benefits	0	0	0
173	(5)	168	Non distributed costs – other	252	0	252
<b>160,887</b>	<b>(76,729)</b>	<b>84,158</b>	<b>Cost of Services</b>	<b>170,614</b>	<b>(70,864)</b>	<b>99,750</b>
		(577)	Exceptional items (Note 5,6)			0
		1,502	Other operating expenditure (Note 9)			948
		3,728	Financing and investment income and expenditure (Note 10)			1,936
		(18,425)	Taxation and non-specific grant income (Note 11)			(14,190)
		<b>70,386</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>88,444</b>
		17,184	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			(959)
		(9,672)	Actuarial (gains)/losses on pension assets/liabilities			18,204
		<b>7,512</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>17,245</b>
		<b>77,898</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>105,689</b>

## 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 authority (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, ie 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 authority 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'.

RESTATED 1 April 2010	RESTATED 31 March 2011		Note	31 March 2012	
£'000	£'000	£'000		£'000	£'000
300,255		205,340	Council Dwellings	12	204,774
76,561		77,715	Other Land and Buildings	12	75,644
3,035		3,300	Vehicles, Plant and Equipment	12	4,529
10,514		10,841	Infrastructure Assets	12	10,748
4,155		4,183	Community Assets	12	4,211
1,339		1,558	Assets under construction	12	3,757
<b>395,859</b>		<b>302,937</b>	<b>Total Property, Plant &amp; Equipment</b>		<b>303,663</b>
141		141	Heritage Assets	13	141
3,329		3,029	Investment Property	14	3,081
923		674	Intangible Assets	15	557
3		3	Long Term Investments	16	3
176		104	Long Term Debtors	18	101
<b>400,431</b>		<b>306,888</b>	<b>Long Term Assets</b>		<b>307,546</b>
0	0		Current Held for Sale Investment Property	14	291
5,000	2,000		Short term Investments	16	4,500
186	1,231		Assets Held for Sale	20	1,056
169	133		Inventories	17	168
11,177	9,195		Short Term Debtors	18	6,567
4,407	11,264		Cash & Cash Equivalents	19	6,261
<b>20,939</b>		<b>23,823</b>	<b>Current Assets</b>		<b>18,843</b>
(6,985)	(6,009)		Short Term Borrowing	16	(801)
(8,919)	(12,438)		Short Term Creditors	21	(14,495)
0	0		Provisions	22	(7)
<b>(15,904)</b>		<b>(18,447)</b>	<b>Current Liabilities</b>		<b>(15,303)</b>
		<b>312,264</b>			<b>311,086</b>
(9,404)	(9,964)		Long Term Borrowing	16	(94,379)
(61,454)	(45,417)		Other Long Term Liabilities	39	(65,513)
<b>(70,858)</b>		<b>(55,381)</b>	<b>Long Term Liabilities</b>		<b>(159,892)</b>
<b>334,608</b>		<b>256,883</b>	<b>Net Assets</b>		<b>151,194</b>
19,162		17,351	Usable Reserves	23	15,376
315,446		239,532	Unusable Reserves	24	135,818
<b>334,608</b>		<b>256,883</b>	<b>Total Reserves</b>		<b>151,194</b>

## Cash Flow Statement

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

2010/11 £000		2011/12 £000
(70,386)	Net surplus or (deficit) on the provision of services	(88,444)
82,966	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 25)	14,104
(1,012)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 25)	(1,259)
<b>11,568</b>	<b>Net cash flows from Operating Activities</b>	<b>(75,599)</b>
(4,299)	Investing Activities (Note 26)	(8,602)
(412)	Financing Activities (Note 27)	79,198
<b>6,857</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>(5,003)</b>
4,407	Cash and cash equivalents at the beginning of the reporting period	11,264
<b>11,264</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 19)</b>	<b>6,261</b>

## Notes to the Core Financial Statements

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

### 1. Accounting Policies

#### i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end on 31 March 2012. 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 2011/12 ('the Code') and the Service Reporting Code of Practice 2011/12 ('SERCOP'), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

#### 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. Exceptional Items**

When items of income and expenses are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

#### **v. 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 the 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.

#### **vi. Charges to Revenue for Non-Current Assets**

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

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

#### **vii. Employee Benefits**

##### **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, 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 the employee 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 benefits are charged to revenue in the financial year in which the holiday absence occurs.

### **Termination Benefits**

Termination benefits are amounts payable as a result of either the Council's decision to end an employee's employment before the normal retirement date or an employee accepting 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 pensions 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 4.6% (based on the yield on the iBoxx AA rated over 15 year Corporate Bond Index as at 31 March 2012 which has been chosen to meet the requirements of IAS19).
- 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 pensions liability is analysed into seven components:
  - current service cost – the increase in liabilities as 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
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Surplus or Deficit on the Provision of Services line in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
  - 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 appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund and Housing Revenue Account of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### **Discretionary Benefits**

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

### **viii. Events After The Balance Sheet Date**

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

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

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

## ix. Financial Instruments

### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and 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 carried 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.

However, the Council has made loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain 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.

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 the 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

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

## Instruments Entered Into Before 1 April 2006

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

## x. Government Grants and Contributions

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

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

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

embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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

### **Business Improvement Districts**

A Business Improvement District (BID) scheme applies across the whole of the district. The scheme is funded by a BID levy paid by non-domestic ratepayers. Acting as an agent of the Taunton Town Centre Company (the BID company), the Council is the billing authority and collects the levy on the BID Company's behalf. No BID income and expenditure is included in the Comprehensive Income and Expenditure Statement, and any cash balance collected by the Council but not yet paid to the BID Company at the year-end is carried in the Balance Sheet as a creditor.

### **xi. Heritage Assets**

The recognition of Heritage Assets is a new requirement introduced by the Code in 2011-12. 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 for heritage assets, 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 xxviii 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 (again see notes xxii and xviii in this summary of significant accounting policies).

### **xii. 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. The 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.

### **xiii. Interests in Companies and Other Entities**

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities ventures and require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

### **xiv. 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.

### **xv. Investment Property**

Investment properties are those that are used solely to earn rentals and/or 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.

**xvi. 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 venturers, with the assets being used to obtain benefits for the venturers. 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.

**xvii. 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*****Finance Leases***

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

Lease payments are apportioned between:

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

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

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with the statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance or 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.

### ***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.

### **xviii. 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

2011/12 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the 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.

## **xix. 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 de minimis level for recognising Property Plant and Equipment of £10,000.

### **Measurement**

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

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

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

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

- Infrastructure, community assets and assets under construction – depreciated historical cost



- Dwellings – 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.

In 2011/12 the Council changed the revaluation date for the revaluation of HRA assets from 31 March to 1 April. This decision was made after discussions with the auditors in 2010/11 and to bring the HRA valuation date in line with the General Fund rolling programme for consistency between the two funds. The impact on the accounts of doing this is not considered material as all assets are accessed for impairment at 31 March every year.

### **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).

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

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

## Componentisation

Where an item of Property, Plant and Equipment with a de minimis of £500,000 or more has two or more major components, each with a cost that is significant in relation to the total cost of the asset and with different working lives, then the components of the asset are depreciated separately in line with the policies set out above. The purpose is to assist the Council in planning the costs of managing and replacing its asset-base – for example, if expensive specialist machinery inside a building needed to be replaced several times within the life of the building itself. It is considered that accurately componentising assets with a value of less than £500,000 would take up significant administration resources without adding any appreciable benefit for users of these accounts. A “significant cost” for components is taken to be 20% or more of the historical cost (or carrying value if historical cost is not available) of the asset in total. Where groups of similar assets have identifiable typical components (for example, council houses are of different types but all have kitchens and bathrooms) then componentisation is considered collectively as well as against individual asset values. In all cases, the aim is to meet appropriate accounting standards and provide meaningful information for users of these accounts at an acceptable cost in producing the data.

## 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 (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) 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.

#### **xx. 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.

#### **xxi. 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.

The Council will not normally disclose contingent liabilities that are individually, or a group of a similar type, below a value of £50,000 on the grounds of materiality.

### **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.

The Council will not normally disclose contingent assets that are individually, or a group of a similar type, below a value of £50,000 on the grounds of materiality.

### **xxii. 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.

### **xxiii. 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 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 in the Statement of Movement on so there is no impact on the level of council tax.

### **xxiv. 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.

**xxv. 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.

**xxvi. 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.

**xxvii. Accounting for National Non-Domestic Rates**

The collection of National Non-Domestic Rates (NNDR) is carried out by the Council as an agent activity on behalf of the Government. Income receivable is accounted for on an accruals basis. This income due from NNDR taxpayers less any provision for bad debts (and net of the cost of collection allowance) belongs to the Government. Any amount due but not yet paid to the Government at the Balance Sheet date is included in the Balance Sheet as a creditor. Similarly, if the cash paid to the Government exceeds the amount due from NNDR taxpayers (net of the cost of collection allowance), the excess is included in the Balance Sheet as a debtor.

The costs of collection represents the allowance granted to the Council as a billing authority per the applicable regulations, not the actual costs of collection incurred. Any difference is recognised within the General Fund in the Surplus or Deficit on the Provision of Services.

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

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

The introduction of International Financial Reporting Standards (IFRS) to the public sector has required many changes to information reported and therefore data to be collected. The adoption of amendments to IFRS 7 "Financial Instruments: Disclosures" by the code will result in a change of accounting policy in relation to the transfer of financial assets. However, CIPFA/LASAAC is of the view that the transfers described by the standard do not occur frequently in local authorities. Relevant circumstances would arise where an authority retains ownership of a financial asset but contracts to reassign or otherwise pay over the cash flows generated by the instrument, at the same time as retaining substantially all the risks and rewards of ownership. Our judgement is that this is unlikely to affect this Council.

## **3. Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in Note 1, as in every year, the Council has had to make judgements about complex transactions or those involving uncertainty about future events. For 2010/11 the Council also had to make judgements about applying significant changes in external reporting policies, notably the movement to International Financial Reporting Standards (IFRS) for the public sector which has made many changes to accounting treatments of items like long-term and short-term assets, and the Code of Practice becoming mandatory rather than guidance which Councils can move away from if their particular circumstances had meant that a different accounting treatment provided better information for readers and decision-makers.

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

- The Council has implemented new reporting requirements related to heritage assets, which is a new class of assets now shown separately on the Balance Sheet. The Council has applied the insurance value for identified assets as a basis for valuation, and has assumed that the reported value now included in the Balance Sheet represents the best estimate for financial reporting purposes. If it has not been possible to ascertain a realistic value for an item, the value is assumed to be nil. This approach is consistent with guidance issued by CIPFA during the year.
- 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 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. From an accounting perspective, this has involved working with its partner Southwest One in further developing its financial management and reporting arrangements to focus and strengthen the quality, consistency and timeliness of internal budget-management. 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. This means that the Council's group accounts include those of Tone Leisure. Since Tone Leisure as a charity does not yet have to report its accounts in IFRS format, its accounting bases are not the same as the Council's, but in this instance the differences are minimal and, in the opinion of the Council, do not affect the accuracy or fairness of the group accounts.

#### 4. 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 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows overleaf:

Item	Significant Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment (PPE)	<p>PPE assets are depreciated over useful lives that are chosen based on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. If the working lives change significantly as a result of the Council's review of its services then those useful lives may lengthen or shorten.</p>	<p>Depreciation is calculated to spread the cost of an asset over its estimated working life. If the working life is reduced, depreciation goes up and carrying-value goes down; if the working life is extended, depreciation goes down and so carrying value goes up. For example, with vehicles valued at £689k and an average working life of around five years, extending the life by 1 year would reduce annual depreciation by £23k.</p>
	<p>The carrying values of assets such as council houses depend very much on outside factors; for example, the significant revaluation in 2010/11 was due to a change in the discount factor applied nationally to social housing. This factor depends on market conditions such as the value of similar properties in an open market and rent yields for the private sector. For example, in 2005 when the present system was introduced, the discount factor for the South West was 44%; in 2011/12 it is 31%.</p>	<p>With council housing have a balance-sheet cost of around £205m, each 1% change in the social housing discount factor moves the valuation up or down by £2m while having no effect on the actual housing stock itself.</p>

Item	Significant Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	<p>Estimates of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The Council works in partnership with other local authorities to engage a firm of consulting actuaries to provide expert advice about the assumptions to be applied, and reviews those assumptions in discussion with its partner councils. Part of the annual accounts process is to review previous assumptions and test them against what actually happened, to provide further data for future assumptions.</p> <p>With so much national debate and change in pension provisions the assumptions are both difficult to predict from historical data and likely to change significantly in the short to medium term. The pensions liability and its underlying data is therefore very much a carefully reasoned estimate of the most likely combination of factors, but by its very nature is significantly uncertain.</p>	<p>The effects on the net pension liability of many changes in individual assumptions can be measured. For example, if the discount rate (the expected yield on the corporate bond index) were to change by plus or minus 0.1% from its assumed 4.6%, then the projected service cost would be between £2.956m to £3.190m. A similar change of 1 year in the mortality age range assumption means the projected service cost could be from £2.929m to £3.215m.</p> <p>However, the assumptions interact in complex ways; for example, pension membership may fall, the proportion of commutable pension exchanged by members for cash on retirement may go up while members live longer and equity yields improve.</p>
Arrears	<p>At 31 March 2012 the Council had a balance of council-tax debtors of £2.0m, down from the £2.2m the previous year and to be expected when collecting council tax of around £50m each year. The Council has made an impairment provision within the collection fund of £0.977m 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.</p>	<p>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 £50m this year from more than 40,000 households, a 0.1% change in the collection rate changes the amount collected by around £50k in a full year (the Council's risk would be 11% of this amount). The Council's collection rate for 2011/12 was over 98%.</p>



## 5. Material Items of Income and Expense

Under changes introduced through the Localism Act, local authority landlords are moving to a system of Self Financing for the Housing Revenue Account from April 2012. This new system will mean that, from 2012/13 financial year this Council will no longer be required to pay a "negative subsidy" to central government – £7m in 2011/12 – and will retain all rents collected on council dwellings for the benefit of local tenants. Through a Self Financing Determination issued by central government, Taunton Deane Borough Council has paid a one-off lump sum amount of £85.2m to the government in March 2012. Under accounting regulations this is reflected as a charge within the Comprehensive Income and Expenditure Statement however the payment is classed as capital expenditure under statute and is therefore reversed out through the Movement in Reserves Statement so it does not affect Rent Payers. A significant amount of preparation for this change has been undertaken by the Council, and in February 2012 approved a new 30 Year Business Plan for the Housing Revenue Account.

Several Council Dwellings have been disposed of in the year to council tenants or for affordable housing or demolished; this has resulted in a gain charged to the Comprehensive Income and Expenditure Statement of £381k in the year (£471k loss in 2010/11).

There have been revaluation losses recognised as part of the re-development of the town through Project Taunton. Several assets have been revalued downwards due to a change in use. Castle Green Car Park has been revalued downwards by £646k this is due to the asset being written down to zero and recognised as a community asset – previously the revaluation figure took into account car parking income which is no longer relevant as it is a public open space. Assets around the Firepool site have revalued downwards by £832k this is partly due to a change in the valuation method used moving from market value to existing use value (EUV) where the development potential has been ignored based in advice from the valuer.

The way the Council values its Council Dwellings was changed in 2010/11 as per the Stock Valuation Guidance produced by the Department for Communities and Local Government. The adjustment factor applied to vacant possession values of dwellings to arrive at the Existing Use Value – Social Housing (EUV-SH) was reduced from 44% to 31%. This resulted in a revaluation loss charge to the Local Authority Housing (HRA) line in the Comprehensive Income and Expenditure Statement of £74.7m. This then gets reversed out through the Movement in Reserves Statement so it does not affect Rent Payers.

There was a large credit in 2010/11 of £9.89m reflecting a past service gain following a change in public sector pension increases being linked to the Consumer Price Index (CPI) rather than the Retain Price Index (RPI).

In 2010/11 there were revaluation decreases of £1.2m charged to the cultural and related services line in the Comprehensive Income and Expenditure Statement in relation to properties held for Project Taunton regeneration purposes. This is due to the demolition of several buildings to enable the redevelopment of the area.

### Exceptional Items

There are no exceptional items reported for the 2011/12 financial year. There has been a major one-off expense in the year as a payment to central government regarding the Housing Revenue Account Self Financing Settlement. However this is disclosed as a material item within Cost of Services in the Comprehensive Income and Expenditure Statement – see above.

In 2010/11 the Council received a one-off windfall of £577,000 related to a refund of VAT on provision of leisure services, which is included in the comparative information within the Comprehensive Income and Expenditure Statement.

## **6. Events After the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the S151 Officer on 29 June 2012. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures in the financial statements and notes would be adjusted in all material aspects to reflect the impact of this information.

There have been no events after the balance sheet date of 31 March 2012 that requires the financial statements or notes to be adjusted for 2011/12.

## **7. Adjustments Between Accounting Basis and Funding Basis Under Regulations**

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

2011/12	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</i>						
Charges for depreciation of non-current assets	(1,450)	(3,938)	0	0	0	5,388
Excess of depreciation charged to HRA services over the MRA	0	(470)	0	0	0	470
Revaluation losses on Property Plant and Equipment	(763)	0	0	0	0	763
Movements in the market value of Investment Properties	256	0	0	0	0	(256)
Amortisation of intangible assets	(50)	(67)	0	0	0	117
Capital grants and contributions applied	1,456	0	0	0	0	(1,456)
Revenue expenditure funded from capital under statute	(1,223)	0	0	0	0	1,223
Self Financing	0	(85,198)	0	0	0	85,198
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	(214)	(725)	0	0	0	939
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>						
Statutory provision for the financing of capital investment	609	0	0	0	0	(609)
Capital expenditure charged against the General Fund and HRA balances	615	193	0	0	0	(808)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	45	0	0	0	(45)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	1,775	(1,775)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and Expenditure Account	63	1,196	(1,259)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	485	0	0	(485)
Contribution from the Capital Receipts Reserve towards the administrative costs of non-current asset disposals	0	(22)	22	0	0	0
Contribution from the Capital Receipt reserve to finance the payments to the central government capital receipts pool	(790)	0	790	0	0	0

2011/12	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
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA	0	3,938	0	(3,938)	0	0
Use of the Major Repairs Reserve to finance new Capital Expenditure	0	0	0	3,938	0	(3,938)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0	39	0	0	0	(39)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,648)	(403)	0	0	0	4,051
Employers pension contributions and direct payments to pensioners payable in the year	1,938	221	0	0	0	(2,159)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	145	0	0	0	0	(145)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>						
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	(3)	13	0	0	0	(10)
<b>Total Adjustments 2011/12</b>	<b>(3,014)</b>	<b>(85,223)</b>	<b>38</b>	<b>0</b>	<b>1,730</b>	<b>86,469</b>

2010/11 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
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</i>						
Charges for depreciation of non-current assets	(1,407)	(3,785)	0	0	0	5,192
Charges for impairment of non-current assets	(316)	7	0	0	0	309
Excess of depreciation charged to HRA services over the MRA	0	(466)	0	0	0	466
Revaluation losses on Property Plant and Equipment	(1,552)	(74,675)	0	0	0	76,227
Amortisation of intangible assets	(208)	(64)	0	0	0	272
Capital grants and contributions applied	3,865	0	0	0	0	(3,865)
Revenue expenditure funded from capital under statute	(2,494)	(325)	0	0	0	2,819
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	(226)	(1,269)	0	0	0	1,495
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>						
Statutory provision for the financing of capital investment	345		0	0	0	(345)
Capital expenditure charged against the General Fund and HRA balances	599	2,205	0	0	0	(2,804)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	862	(862)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and Expenditure Account	214	814	(1,028)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	222	0	0	(222)
Contribution from the Capital Receipts Reserve towards the administrative costs of non-current asset disposals	0	(16)	16	0	0	0
Contribution from the Capital Receipt reserve to finance the payments to the central government capital receipts pool	(596)	0	596	0	0	0
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA	0	3,785	0	(3,785)	0	0
Use of the Major Repairs Reserve to finance new Capital Expenditure	0	0	0	3,785	0	(3,785)

2010/11 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
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0	39	0	0	0	(39)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	5,044	(678)	0	0	0	(4,366)
Employers pension contributions and direct payments to pensioners payable in the year	1,869	130	0	0	0	(1,999)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	176	0	0	0	0	(176)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>						
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	(68)	(17)	0	0	0	85
<b>Total Adjustments 2010/11</b>	<b>5,245</b>	<b>(74,315)</b>	<b>(194)</b>	<b>0</b>	<b>862</b>	<b>68,402</b>

## 8. 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. The table below 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 2011/12.

	<b>Balance at 1 April 2010 £'000</b>	Transfers In 2010/11 £'000	Transfers Out 2010/11 £'000	<b>Balance at 31 March 2011 £'000</b>	Transfers In 2011/12 £'000	Transfers Out 2011/12 £'000	<b>Balance at 31 March 2012 £'000</b>
<b>General Fund</b>							
Asset maintenance - General	95	49	0	144	198	(124)	218
Asset maintenance – Leisure	624	30	(22)	632	152	0	784
Capital financing reserve	838	15	(91)	762	277	(100)	939
Core Council Review	305	4	(86)	223	50	(127)	146
DLO trading account	569	0	0	569	67	(414)	222
DLO Vehicle Replacement Reserve	6	0	0	6	111	0	117
DLO transformation	142	0	(33)	109	0	(109)	0
Eco Towns Projects	0	183	0	183	66	(100)	149
Growth and Regeneration Service Costs	0	0	0	0	886	0	886
Home Improvement Agency	192	0	0	192	0	0	192
Housing enabling	783	0	(184)	599	0	(381)	218
LABGI	423	0	0	423	0	(385)	38
Land Charges New Burdens	0	34	0	34	67	0	101
Local plan enquiry	296	32	(17)	311	0	(73)	238
New Homes Bonus Reserve	0	0	0	0	392	0	392
Performance & Client Consultancy	0	144	0	144	0	0	144
Planning delivery grant	793	35	(354)	474	131	(368)	237
Self insurance fund	750	0	0	750	0	0	750
Youth Homeless Fund	0	75	0	75	133	(75)	133
Other earmarked reserves	1,550	535	(856)	1,229	128	(663)	694
<b>Total General Fund</b>	<b>7,366</b>	<b>1,136</b>	<b>(1,643)</b>	<b>6,859</b>	<b>2,658</b>	<b>(2,919)</b>	<b>6,598</b>
<b>Housing Revenue Account (HRA)</b>							
Capital Financing Reserve	1,147	0	(1,069)	78	0	0	78
DLO Transformation	0	113	0	113	0	(36)	77
Heating Reserve	390	0	0	390	0	(150)	240
Halcon Reserve	0	0	0	0	65	0	65
Other earmarked reserves	0	0	0	0	14	0	14
<b>Total HRA</b>	<b>1,537</b>	<b>113</b>	<b>(1,069)</b>	<b>581</b>	<b>79</b>	<b>(186)</b>	<b>474</b>

Included in the reserves above is the Council's Self Insurance Fund. This is a sum of £750,000 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.

During 2011/12 there has been £14k reclassified from General Fund earmarked reserves to HRA earmarked reserves.

### 9. Other Operating Expenditure

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

2010/11		2011/12
£'000		£'000
422	Parish Council precepts	456
596	Payments to the Government Housing Capital Receipts Pool	790
484	(Gains)/losses on the disposal of non-current assets	(298)
<b>1,502</b>	<b>Total</b>	<b>948</b>

### 10. 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.

2010/11		2011/12
£'000		£'000
523	Trading account (surpluses) and deficits	279
643	Interest payable and similar charges	666
2,317	Pensions interest cost and expected return on pensions assets	1,484
(115)	Interest receivable and similar income	(237)
360	Income and expenditure in relation to investment properties and changes in their Fair Value	(256)
<b>3,728</b>	<b>Total</b>	<b>1,936</b>

### 11. 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.

2010/11		2011/12
£'000		£'000
5,799	Council tax income	6,037
7,615	National non-domestic rates (NNDR)	4,569
1,146	Non-ringfenced government grants	2,083
3,865	Capital grants and contributions	1,501
<b>18,425</b>	<b>Total</b>	<b>14,190</b>

More details of grants the Council has received can be found in Note 33 Grant Income.



**12. 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.

<b>Movements in 2011/12</b>	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
<b>Cost or Valuation</b>							
At 1 April 2011	205,428	80,330	5,192	11,644	4,260	1,558	<b>308,412</b>
Additions	4,110	37	797	69	28	2,199	<b>7,240</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	265	0	0	0	0	<b>265</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(1,053)	0	0	0	0	<b>(1,053)</b>
Derecognition - disposals	(602)	(190)	(203)	0	0	0	<b>(995)</b>
Derecognition - other	0	(1,062)	976	0	0	0	<b>(86)</b>
Assets reclassified (to)/from Held for Sale	(136)	187	0	0	0	0	<b>51</b>
<b>At 31 March 2012</b>	<b>208,800</b>	<b>78,514</b>	<b>6,762</b>	<b>11,713</b>	<b>4,288</b>	<b>3,757</b>	<b>313,834</b>
<b>Accumulated Depreciation and Impairments</b>							
At 1 April 2011	(88)	(2,615)	(1,892)	(803)	(77)	0	<b>(5,475)</b>
Depreciation Charge	(3,938)	(1,238)	(520)	(162)	0	0	<b>(5,858)</b>
Depreciation written out to the Revaluation Reserve	0	693	0	0	0	0	<b>693</b>
Depreciation written out to Surplus Deficit on Provision of Services	0	290	0	0	0	0	<b>290</b>
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	<b>0</b>
De recognition - Disposals	0	0	179	0	0	0	<b>179</b>
<b>At 31 March 2012</b>	<b>(4,026)</b>	<b>(2,870)</b>	<b>(2,233)</b>	<b>(965)</b>	<b>(77)</b>	<b>0</b>	<b>(10,171)</b>
<b>Net Book Value As at 31 March 2012</b>	<b>204,774</b>	<b>75,644</b>	<b>4,529</b>	<b>10,748</b>	<b>4,211</b>	<b>3,757</b>	<b>303,663</b>

<b>Comparative Movements in 2010/11</b>	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
<b>Cost or Valuation</b>							
At 1 April 2010	300,342	77,997	4,434	11,161	4,232	1,339	<b>399,505</b>
Additions	5,641	1,098	758	483	28	556	<b>8,564</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(24,559)	3,237	0	0	0	0	<b>(21,322)</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(74,675)	(914)	0	0	0	(337)	<b>(75,926)</b>

<b>Comparative Movements in 2010/11</b>	<b>Council Dwellings £'000</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Plant, Furniture and Equipment £'000</b>	<b>Infrastructure Assets £'000</b>	<b>Community Assets £'000</b>	<b>Assets Under Construction £'000</b>	<b>Total Property, Plant and Equipment £'000</b>
Derecognition - disposals	(1,082)	(95)	0	0	0	0	(1,177)
Assets reclassified (to)/from Held for Sale	(239)	(993)	0	0	0	0	(1,232)
<b>At 31 March 2011</b>	<b>205,428</b>	<b>80,330</b>	<b>5,192</b>	<b>11,644</b>	<b>4,260</b>	<b>1,558</b>	<b>308,412</b>
<b>Accumulated Depreciation and Impairments</b>							
At 1 April 2010	(88)	(1,435)	(1,399)	(648)	(77)	0	(3,647)
Depreciation Charge	(3,785)	(1,269)	(493)	(155)	0	0	(5,702)
Depreciation written out to the Revaluation Reserve	3,785	354	0	0	0	0	4,139
Depreciation written out to Surplus Deficit on Provision of Services	0	44	0	0	0	0	44
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	(309)	0	0	0	0	(309)
<b>At 31 March 2011</b>	<b>(88)</b>	<b>(2,615)</b>	<b>(1,892)</b>	<b>(803)</b>	<b>(77)</b>	<b>0</b>	<b>(5,475)</b>
<b>Net Book Value As at 31 March 2011</b>	<b>205,340</b>	<b>77,715</b>	<b>3,300</b>	<b>10,841</b>	<b>4,183</b>	<b>1,558</b>	<b>302,937</b>

## 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 40-60 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 Capital Programme in 2012/13 are:

Various housing contracts to maintain the decent homes standard. The Council's commitment at 31 March 2012 for 2012/13 amounted to: £3.4m.

At 31 March 2012 the contractual commitments for Project Taunton were approximately: £2m.

The Council has slippage from 2011/12 of £966k on the Crematorium mercury abatement project which will be carried forward into 2012/13 to fund the spend required.

Similar commitments at 31 March 2011 were £3.6m for housing contracts and £5.5m for the General Fund Capital Programme.

## 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 Mr A. Priest FRICS who works for Southwest One. 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.

In 2011/12 the Council changed the revaluation date for the revaluation of HRA assets from 31 March to 1 April. This decision was made after discussions with the auditors in 2010/11 and to bring the HRA valuation date in line with the General Fund rolling programme for consistency between the two funds. The impact on the accounts of doing this is not considered material as all assets are assessed for impairment at 31 March every year.

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

	<b>Council Dwellings £'000</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles Plant and Equipment £'000</b>	<b>Total £'000</b>
Carried at historical cost	0	238	6,762	7,000
Valued at fair value as at:				
1 April 2008	0	5,762	0	5,762
1 April 2009	0	23,416	0	23,416
1 April 2010	0	14,209	0	14,209
1 April 2011	208,800	34,889	0	243,689
<b>Total Cost or Valuation</b>	<b>208,800</b>	<b>78,514</b>	<b>6,762</b>	<b>294,076</b>

### 13. 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 recognised heritage assets to the value of £141k for the first time in 2011/12. Comparative figures have been restated to include this. 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.

2010/11		2011/12
£'000		£'000
141	Balance at start of the year	141
141	<b>Balance at end of the year</b>	141

### 14. Investment Properties

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

2010/11		2011/12
£'000		£'000
3,329	Balance at start of the year	3,029
	<b>Additions:</b>	
0	Net gains/losses from fair value adjustments	256
	<b>Transfers:</b>	
0	To/from Property Plant and Equipment	87
0	To/from Investment Properties Held for Sale	(291)
(300)	Other Changes	0
3,029	<b>Balance at end of the year</b>	3,081

#### Investment Properties Held for Sale

2010/11		2011/12
£'000		£'000
0	Balance at start of the year	0
	<b>Transfers:</b>	
0	To/from Investment Properties Held for Sale	291
0	<b>Balance at end of the year</b>	291

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 Mr A. Priest FRICS who works for Southwest One. All valuations were carried out in accordance with standards set out by the Royal Institution of Chartered Surveyors (RICS).

## 15. Intangible Assets

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

Useful Life	Internally Generated Assets	Other Assets
5 years	None	Revenues & Benefits Software, Development Management 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 £117,321 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:

Internally Generated Assets £'000	Other Assets £'000	2010/11 Total £'000		Internally Generated Assets £'000	Other Assets £'000	2011/12 Total £'000
			<b>Balance at the start of the year:</b>			
0	2,194	2,194	Gross carrying amounts	0	2,217	2,217
0	(1,271)	(1,271)	Accumulated amortisation	0	(1,543)	(1,543)
<b>0</b>	<b>923</b>	<b>923</b>	<b>Net carrying amount at the start of the year</b>	<b>0</b>	<b>674</b>	<b>674</b>
0	23	23	Additions: Purchases	0	0	0
0	(272)	(272)	Amortisation for the period	0	(117)	(117)
<b>0</b>	<b>674</b>	<b>674</b>	<b>Net carrying amount at end of year</b>	<b>0</b>	<b>557</b>	<b>557</b>
			<b>Comprising:</b>			
0	2,217	2,217	Gross carrying amounts	0	2,217	2,217
0	(1,543)	(1,543)	Accumulated amortisation	0	(1,660)	(1,660)
<b>0</b>	<b>674</b>	<b>674</b>		<b>0</b>	<b>557</b>	<b>557</b>

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

Carrying Amount	Capitalised software	Carrying Amount	Remaining
31 March 2011 £'000		31 March 2012 £'000	Amortisation Period
80	SAP System	68	7 Years
90	IDOX Land Charges and Building Control Software	80	8 Years
111	Choice Based Lettings System	97	7 Years
327	Housing Management System	275	6 Years

## 16. 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 loan portfolio at year end consisted of PWLB debt and Market debt. Under the 2011/12 Code of Practice these forms of borrowing are measured at amortised cost. This form of measurement does not change the amount of cash paid under the terms of the loan but can impact on the charge made to the Comprehensive Income and Expenditure Statement.

At the end of 2011/12 the Council took on new debt of £85.198m to "buy itself" out of the HRA Subsidy System.

### 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 three classifications for financial assets under the 2011/12 Code of Practice are:

- Loans and Receivables
- Available for Sale
- Fair Value through Profit and Loss

The Council's portfolio of investments consists of fixed term deposits, money market funds and call accounts. Term deposits and call accounts debtors are classified as Loans and Receivables and are measured at amortised cost. This does not change the amount of cash received under the terms of investment. Trade Receivables (e.g Debtors) are classified as Loans and Receivables. These have been measured at cost on the Balance Sheet.

Money Market Funds are classified as Available for Sale.

Balances in Money Market Funds, call accounts and fixed term deposits due to mature in less than one month are shown under cash and cash equivalents on the Balance Sheet as they represent highly liquid investments that are readily convertible into known amounts of cash, with an insignificant risk of changes in value. Fixed term deposits due to mature in more than one month are included in investments.

The Council does not have any investments required to be measured at Fair Value through Profit and Loss.

### Transaction Costs

Measurement at amortised cost permits transaction costs related to financial instruments to be attached to the loan or investment and charged to the Comprehensive Income and Expenditure Statement over the life of the instrument. Where these are considered to be immaterial they can be charged in full to the Comprehensive Income and Expenditure Statement in the financial year in which they are incurred. The Council has taken the latter approach in 2011/12.

**Financial Assets and Liabilities**

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

	Long-term		Current	
	31 March 2011 £'000	31 March 2012 £'000	31 March 2011 £'000	31 March 2012 £'000
Borrowing at amortised cost	9,964	94,379	6,009	801
<b>Total Financial Liabilities</b>	<b>9,964</b>	<b>94,379</b>	<b>6,009</b>	<b>801</b>
Loans and Receivables	3	3	8,899	7,098
Available for Sale	0	0	3,501	2,803
Trade Receivables	104	101	53	49
<b>Total Financial Assets</b>	<b>107</b>	<b>104</b>	<b>12,453</b>	<b>9,950</b>

**Financial Liabilities**

The following table reflects the composition of borrowing on the Balance Sheet:

	Long-term		Current	
	31 March 2011 £'000	31 March 2012 £'000	31 March 2011 £'000	31 March 2012 £'000
<b>Borrowings</b>				
Nominal Amount	9,801	94,198	6,000	801
Accrued Interest	163	181	9	0
Effective Interest Rate Adjustments	0	0	0	0
<b>Total Financial Liabilities</b>	<b>9,964</b>	<b>94,379</b>	<b>6,009</b>	<b>801</b>

**Financial Assets**

The following table reflects the composition of investments recorded on the Balance Sheet:

Short Term Investments as at 31/03/2012:

	Nominal	Accrued Interest	Amortised Cost	Premium /Discount	Fair Value
	£'000	£'000	£,000	£'000	£'000
<b>Short Term – 31/03/2012</b>					
Loans and Receivables	7,000	98	7,098	0	7,098
Available for Sale	2,800	3	2,803	0	2,803
	<b>9,800</b>	<b>101</b>	<b>9,901</b>	<b>0</b>	<b>9,901</b>

## Short Term Investments as at 31/03/2011:

	Nominal	Accrued Interest	Amortised Cost	Premium /Discount	Fair Value
	£'000	£'000	£,000	£'000	£'000
<b>Short Term Comparatives – 31/03/2011</b>					
Loans and Receivables	8,800	99	8,899	0	8,899
Available for Sale	3,500	1	3,501	0	3,501
	<b>12,300</b>	<b>100</b>	<b>12,400</b>	<b>0</b>	<b>12,400</b>

## Long Term Investments as at 31/03/2012:

	Nominal	Accrued Interest	Amortised Cost	Premium /Discount	Fair Value
	£'000	£'000	£,000	£'000	£'000
<b>Long Term – 31/03/2012</b>					
Loans and Receivables	3	0	3	0	3
	<b>3</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>3</b>

## Long Term Investments as at 31/03/2011:

	Nominal	Accrued Interest	Amortised Cost	Premium /Discount	Fair Value
	£'000	£'000	£,000	£'000	£'000
<b>Long Term Comparatives – 31/03/2011</b>					
Loans and Receivables	3	0	3	0	3
	<b>3</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>3</b>

The portion of long-term liabilities and investments due to be settled within 12 months of the Balance Sheet date are presented in the balance sheet under 'current liabilities' or 'current investments'. This would include accrued interest on long term liabilities and investments that are payable/receivable in 2011/12.

**Reclassifications**

There have been no financial instrument reclassifications in 2011/12.

**Soft Loans**

Where loans are advanced at below market rates they are classified as 'Soft Loans'. The 2011/12 Code of Practice sets out specific accounting and disclosure requirements for soft loans.

The Council has no material outstanding soft loans and has made no material soft loans in 2011/12.

**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:



2011/12

## Income, Expense, Gains and Losses

	2010/11					2011/12				
	Financial Liabilities measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Financial Assets: Available for sale £'000	Assets and Liabilities at Fair Value through Profit and Loss £'000	Total £'000	Financial Liabilities measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Financial Assets: Available for sale £'000	Assets and Liabilities at Fair Value through Profit and Loss £'000	Total £'000
Interest Expense	(643)				(643)	(666)				(666)
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>(643)</b>				<b>(643)</b>	<b>(666)</b>				<b>(666)</b>
Interest Income		100	15		115		169	68		237
<b>Total income in Surplus or Deficit on the Provision of Services</b>		<b>100</b>	<b>15</b>		<b>115</b>		<b>169</b>	<b>68</b>		<b>237</b>

## Financial Instruments - Fair Values

For each class of financial assets and financial liabilities, an authority is required to disclose the fair value of that class of assets and liabilities in such a way that a comparison with the carrying amount is possible.

The Council's long term loans are carried in the balance sheet at amortised cost. Investments consist of loan and receivables, available for sale and fair value through profit and loss investments. Loans and receivables are carried on the Balance Sheet at amortised cost, whereas the other two categories of investment are carried at fair value. The portion of debt and investments due to be settled within 12 months of the Balance Sheet are presented in the Balance Sheet under current assets or current liabilities. This also includes accrued interest for long term investments and borrowings, as well as accrued interest for cash and cash equivalents.

The 2011/12 Code requires Fair Values of these assets and liabilities to be disclosed for comparison purposes. Fair Value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The Fair Value of a financial instrument on initial recognition is generally the transaction price. The Council's debt outstanding at 31 March 2011 and 31 March 2012 consisted of loans from the PWLB and market loans. The PWLB has provided the Council with Fair Value amounts in relation to its debt portfolio. The PWLB has assessed the Fair Values by calculating the amounts the Council would have had to pay to extinguish the loans on these dates. In the case of market loans the Council's Treasury Advisor calculated the fair value based in equivalent swap rates at the Balance Sheet date.

The Council's investment portfolio at the Balance Sheet date consisted almost entirely of term deposits with Banks and Building Societies and Money Market Fund (MMF) investments. The maturity dates of these investments were all within 12 months of the Balance Sheet date. None of the investments were impaired (i.e. at risk of default).

The carrying amounts and fair values are shown in the table on the next page:

**Financial Assets**

	31 March 2011		31 March 2012	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
<b>Financial Assets</b>				
Loans and Receivables	8,899	8,899	7,098	7,098
Available for Sale	3,501	3,501	2,803	2,803
Trade Receivables	156	156	150	150
<b>Total Financial Assets</b>	<b>12,556</b>	<b>12,556</b>	<b>10,051</b>	<b>10,051</b>

**Financial Liabilities**

	31 March 2011		31 March 2012	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
<b>Financial Liabilities</b>				
Borrowing	15,973	19,208	95,180	103,011
<b>Total Financial Liabilities</b>	<b>15,973</b>	<b>19,208</b>	<b>95,180</b>	<b>103,011</b>

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

**17. Inventories**

The table below details the net purchases and issues of stock during the year and any balances written off. The majority (£137k) of the inventory balance at 31 March 2012 was in relation to the stores stock.

2009/10 £	2010/11 £		2011/12 £
<b>193</b>	<b>169</b>	<b>Balance outstanding at start of year</b>	<b>133</b>
(24)	(28)	Net purchases and issues	35
0	(8)	Written off balances	0
<b>169</b>	<b>133</b>	<b>Balance outstanding at year-end</b>	<b>168</b>

**18. Debtors**

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

**Current Debtors:**

1 April 2010 £'000	31 March 2011 £'000		31 March 2012 £'000
508	1,225	Central Government	550
668	2,984	Other local authorities	920
32	35	NHS Bodies	0
0	0	Public corporations and trading funds	0
9,969	4,951	Other entities and individuals	5,097
<b>11,177</b>	<b>9,195</b>	<b>Total</b>	<b>6,567</b>

The debtors figures for 31 March 2011 have been restated to include a change to the way the surplus on the Collection Fund is treated. In the 2010/11 accounts the major precepting authorities share of the surplus was netted off other debtors figures included in the 'other local authorities' line of the note. For the 2011/12 accounts this amount has been recognised as a creditor rather than being netted off of the debtors figure relating to amounts to be collected from tax payers. The affect is that the March 2011 debtors balance has increased by £1.5m and the creditors balance has also increased by £1.5m. We believe this is a fairer presentation by distinguishing between amounts owed by tax payers and amounts the Council, as the billing authority, owes to the major precepting authorities.

### Long term Debtors:

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

1 April 2010 £'000	31 March 2011 £'000		31 March 2012 £'000
75	74	Sundry Mortgages	72
80	29	Car/Bike Loans to Employees	28
1	1	Somerset County Council Loan	1
20	0	Tone Leisure Loan	0
<b>176</b>	<b>104</b>	<b>Total</b>	<b>101</b>

### 19. Cash and Cash Equivalents

The table below shows how the balance of cash and cash equivalents held by the Council at 31 March is made up. Cash and cash equivalents are highly liquid investments that are readily convertible into known amounts of cash. The details of what is included in as cash and cash equivalents is detailed in (iii) of note 1 Accounting Policies.

1 April 2010 £'000	31 March 2011 £'000		31 March 2012 £'000
5	14	Cash Held by the Council	7
802	950	Bank current accounts	954
1,600	1,800	Call Accounts	0
2,000	3,500	Money Market Funds	2,800
0	5,000	Short-term deposits	2,500
<b>4,407</b>	<b>11,264</b>	<b>Total Cash and Cash Equivalents</b>	<b>6,261</b>

### 20. Assets Held for Sale

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

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

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

Assets Held for Sale are revalued every year at 31 March and are recognised at lower of its carrying value and fair value less costs to sell. The maximum amount at which an assets is carries is at the

amount which it was initially recognised as Held for Sale. The valuation is based on the valuations performed by Mr A. Priest FRICS who works for Southwest One. All valuations were carried out in accordance with standards set out by the Royal Institution of Chartered Surveyors (RICS).

Current	Non-Current		Current	Non-Current
2010/11 £'000	2010/11 £'000		2011/12 £'000	2011/12 £'000
186	0	<b>Balance outstanding at start of year</b>	1,231	0
		Assets newly classified as held for sale		
1,231	0	- Property Plant and Equipment	(52)	0
131	0	- Additions	0	0
(317)	0	Assets sold	(123)	0
<b>1,231</b>	<b>0</b>	<b>Balance outstanding at year-end</b>	<b>1,056</b>	<b>0</b>

## 21. Creditors

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

1 April 2010 £'000	31 March 2011 £'000		31 March 2012 £'000
22	857	Central government bodies	1,860
512	3,692	Other local authorities	3,105
0	130	NHS bodies	0
0	41	Public corporations and trading funds	44
8,385	7,718	Other entities and individuals	9,486
<b>8,919</b>	<b>12,438</b>	<b>Total</b>	<b>14,495</b>

The March 2011 figures have been restated to take into account a movement from debtors in relation to the collection fund surplus. See note 18 debtors for more information.

## 22. Provisions

	Provision £'000
<b>Balance at 1 April 2011</b>	0
Provisions made in 2011/12	7
<b>Balance at 31 March 2012</b>	<b>7</b>

The provision of £7k set aside relates to the Deposit Protection Scheme run by the Council to enable tenants to obtain private sector rented accommodation. The £7k represents the estimated liability based on previous experience of percentage of claims made.

## 23. Usable Reserves

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

## 24. Unusable Reserves

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

1 April 2010 £'000	31 March 2011 £'000		31 March 2012 £'000
32,259	14,847	Revaluation Reserve	15,554
345,145	270,476	Capital Adjustment Account	185,957
(117)	(78)	Financial Instruments Adjustment Account	(39)
(61,454)	(45,417)	Pensions Reserve	(65,513)
(143)	33	Collection Fund Adjustment Account	178
(244)	(329)	Accumulated Absences Account	(319)
<b>315,446</b>	<b>239,532</b>	<b>Total Unusable Reserves</b>	<b>135,818</b>

The revaluation reserve figures for 1 April 2010 and 31 March 2011 have been restated for the inclusion of heritage assets in the Council's accounts for the first time. The balance in both years has been changed by £141k.

### 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:

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

The reserve contains only revaluation gains accumulated since 1st 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:

2010/11 £'000			2011/12 £'000
<b>32,259</b>	<b>Balance at 1 April</b>		<b>14,847</b>
3,610	Upwards revaluation of assets	1,466	
(20,794)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(508)	
(17,184)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		958
(228)	Difference between fair value depreciation and historical cost depreciation	(251)	
0	Accumulated gains on assets sold or scrapped	0	
(228)	Amount written off to Capital Adjustment Account		(251)
<b>14,847</b>	<b>Balance at 31 March</b>		<b>15,554</b>

## 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 7 – 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.

2010/11			2011/12
£'000			£'000
<b>345,145</b>	<b>Balance at 1 April</b>		<b>270,476</b>
	<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>		
(5,967)	Charges for depreciation and impairment of non-current assets	(5,858)	
(75,867)	Revaluation losses on Property, Plant and Equipment	(764)	
(272)	Amortisation of intangible assets	(117)	
(2,819)	Revenue Expenditure funded from capital under statute	(1,223)	
0	HRA Settlement Revenue Expenditure funded from capital under statute	(85,198)	
(1,495)	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	(939)	
(86,420)			(94,099)
229	Adjusting amounts written out of the Revaluation Reserve		251
258,954	Net written out amount of the cost of non-current assets consumed in the year		176,628
	<i>Use of the Capital financing applied in the year:</i>		
222	Use of the Capital Receipts Reserve to finance new capital expenditure	485	
3,785	Use of Major Repairs Reserve to finance new capital expenditure	3,938	
3,865	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,456	
862	Application of grants to capital financing from the Capital Grants Unapplied Account	1,775	
345	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	609	
2,803	Capital Expenditure charged against the General Fund and HRA Balances	809	
11,882			9,072
(360)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		257
<b>270,476</b>	<b>Balance at 31 March</b>		<b>185,957</b>

### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account (FIAA) was established on 1 April 2007 when Financial Reporting Standards 25, 26 and 29 relating to Financial Instruments were adopted into the 2007 SORP (statement of recommended practice). The balance shown in the FIAA at the end of the financial year represents the amount that should have been charged to the Comprehensive Income and Expenditure Statement in accordance with proper accounting practices under the code of practice, but which Statutory Provisions allow or require to be deferred over future years.

The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result the balance on the Account at 31 March 2012 will be charged to the General Fund over the next year.

The table below details the transactions that have gone through the FIAA:

2010/11			2011/12
£'000			£'000
(117)	<b>Balance at 1 April</b>		(78)
39	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	39	
39	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		39
(78)	<b>Balance at 31 March</b>		(39)

### 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 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:

2010/11			2011/12
£'000			£'000
(61,454)	<b>Balance at 1 April</b>		(45,417)
9,672	Actuarial gains or (losses) on pensions assets and liabilities		(18,204)
4,366	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		(4,051)
1,999	Employer's pensions contributions and direct payments to pensioners payable in the year		2,159
(45,417)	<b>Balance at 31 March</b>		(65,513)

### Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers 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. For 2011/12 the balance shown in the table represents a surplus:

2010/11		2011/12
£'000		£'000
(143)	<b>Balance at 1 April</b>	<b>33</b>
176	Amount by which council tax income is credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	145
<b>33</b>	<b>Balance at 31 March</b>	<b>178</b>

### 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.

2010/11		2011/12	
£'000		£'000	£'000
(244)	<b>Balance at 1 April</b>		<b>(329)</b>
244	Settlement or cancellation of accrual made at the end of the preceding year	329	
(329)	Amounts accrued at the end of the current year	(319)	
(85)	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		10
<b>(329)</b>	<b>Balance at 31 March</b>		<b>(319)</b>

### 25. Cash Flow Statement – Operating Activities

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

2010/11		2011/12
£'000		£'000
(169)	Interest Received	(237)
644	Interest Paid	666
<b>475</b>		<b>429</b>



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

2010/11		2011/12
£'000		£'000
5,658	Depreciation	5,858
76,236	Impairment and Downward Valuations	764
272	Amortisation	117
(199)	Increase/(Decrease) in impairment for Bad Debts	94
3,059	Increase/(Decrease) in Creditors	2,057
2,422	(Increase)/Decrease in Debtors	2,628
36	(Increase)/Decrease in Inventory	(34)
(6,365)	Movement in Pension Liability	1,892
1,494	Carrying amount of non current assets sold	939
0	Provisions	7
360	Movements in the Value of Investment Properties	(256)
(7)	Other non cash items charged to the net surplus or deficit on the provision of services	38
<b>82,966</b>		<b>14,104</b>

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

2010/11		2011/12
£'000		£'000
(1,012)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,259)
<b>(1,012)</b>		<b>(1,259)</b>

## 26. Cash Flow Statement – Investing Activities

2010/11		2011/12
£'000		£'000
(8,311)	Purchase of property plant and equipment, investment property and intangible assets	(7,361)
(100,180)	Purchase of short-term and long-term investments	(120,520)
1,012	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,259
103,180	Proceeds from short-term and long-term investments	118,020
<b>(4,299)</b>	<b>Net cash flows from investing activities</b>	<b>(8,602)</b>

## 27. Cash Flow Statement – Financing Activities

2010/11		2011/12
£'000		£'000
11,588	Cash receipts of short-term and long-term borrowing	91,198
(12,000)	Repayment of short-term and long-term borrowing	(12,000)
<b>(412)</b>	<b>Net cash flows from financing activities</b>	<b>79,198</b>

## 28. 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 2011/12 is as follows:

### Portfolio Analysis 2011/12

2011/12	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	(137)	(1,819)	(763)	(2,216)	(131)	(115)	(5,111)	(413)	(10,705)	(22,615)	(33,320)
Government grants and contributions	0	(37,505)	0	0	0	(70)	0	0	(37,575)	0	(37,575)
<b>Total Income</b>	<b>(137)</b>	<b>(39,324)</b>	<b>(763)</b>	<b>(2,216)</b>	<b>(131)</b>	<b>(185)</b>	<b>(5,111)</b>	<b>(413)</b>	<b>(48,280)</b>	<b>(22,615)</b>	<b>(70,895)</b>
Employee expenses	658	2,064	506	1,474	194	1,116	2,098	658	8,768	1,690	10,458
Other services and expenses	816	43,162	851	4,364	723	823	1,177	1,870	53,786	99,822	153,608
Support service recharges	(46)	(5,474)	133	341	726	(250)	1,122	(199)	(3,647)	2,023	(1,624)
<b>Total Expenditure</b>	<b>1,428</b>	<b>39,752</b>	<b>1,490</b>	<b>6,179</b>	<b>1,643</b>	<b>1,689</b>	<b>4,397</b>	<b>2,329</b>	<b>58,907</b>	<b>103,535</b>	<b>162,442</b>
<b>Net Expenditure</b>	<b>1,291</b>	<b>428</b>	<b>727</b>	<b>3,963</b>	<b>1,512</b>	<b>1,504</b>	<b>(714)</b>	<b>1,916</b>	<b>10,627</b>	<b>80,920</b>	<b>91,547</b>

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:

	2011/12 £'000
Net expenditure in the portfolio analysis	91,547
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 <u>for decisions</u> in the portfolio analysis	8,156
Amounts included in the portfolio analysis not included in the Comprehensive Income and Expenditure Statement	0
<b>Cost of services in the Comprehensive Income and Expenditure Statement</b>	<b>99,750</b>

**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.

2011/12	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	(33,320)	0	0	0	0	(33,320)	(15,780)	(49,100)
Interest and Investment Income	0	0	0	0	0	0	(4,718)	(4,718)
Income from council tax	0	0	0	0	0	0	(6,037)	(6,037)
Government grants and contributions	(37,575)	0	0	0	0	(37,575)	(6,652)	(44,227)
Capital grants and contributions	0	0	0	0	0	0	(1,501)	(1,501)
<b>Total Income</b>	<b>(70,895)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(70,895)</b>	<b>(34,688)</b>	<b>(105,583)</b>
Employee expenses	10,458	0	291	0	0	10,749	4,898	15,647
Other service expenses	153,608	47	0	0	0	153,655	10,046	163,701
Support service recharges	(1,624)	0	0	0	0	(1,624)	1,018	(606)
Depreciation, amortisation, impairment and REFCUS	0	0	7,865	0	0	7,865	(159)	7,706
Interest payments	0	0	0	0	0	0	6,631	6,631
Precepts and levies	0	0	0	0	0	0	456	456
Payments to housing capital receipts pool	0	0	0	0	0	0	790	790
Gain or loss on disposal of long term assets	0	0	0	0	0	0	(298)	(298)
Other net costs	0	0	0	0	0	0	0	0
<b>Total Expenditure</b>	<b>162,442</b>	<b>47</b>	<b>8,156</b>	<b>0</b>	<b>0</b>	<b>170,645</b>	<b>23,382</b>	<b>194,027</b>
<b>Surplus or deficit on the provision of services</b>	<b>91,547</b>	<b>47</b>	<b>8,156</b>	<b>0</b>	<b>0</b>	<b>99,750</b>	<b>(11,306)</b>	<b>88,444</b>

**Segmental reporting comparatives for 2010/11**

The report below is an extract of the 2010/11 Budget Outturn report – Appendix A General Fund:

	2010/11 £
Communications & Community Leadership	1,309,345
Corporate Resources	790,157
Economic Dev. Property & Tourism	3,497,673
Environmental Services	4,112,824
General Services	1,673,209
Housing Services	2,325,718
Planning Policy & Transportation	1,346,580
Sports, Parks & Leisure	2,953,568
<b>Total Service Expenditure</b>	<b>18,009,074</b>
Capital Charges Credit	(5,616,410)
Interest Payable on Loans	190,953
Soft Loan	169
Minimum Revenue Provision	344,596
Interest Income	(82,576)
VAT Interest Income (Exceptional item)	(253,843)
VAT Repayment (Exceptional Item)	(323,521)
DLO Trading Account Contribution to GF	(73,600)
DLO Trading (Surplus)/Deficit	5,410
Deane Helpline (Surplus)/Deficit	120,086
Net Earmarked Reserves Transfers	(430,778)
Revenue funding of capital expenditure	599,084
Area Based Grant	(40,175)
<b>Authority Expenditure</b>	<b>12,448,469</b>
Special Expenses	47,050
<b>Borough Expenditure</b>	<b>12,495,519</b>
Parish Precepts	421,944
<b>Budget Requirement</b>	<b>12,917,463</b>
Contribution from NNDR Pool	(7,615,394)
Revenue Support Grant	(1,105,826)
Surplus on Collection Fund: Council Tax	130,210
Council Tax	(5,928,664)
<b>Contribution (to)/from General Fund Balances</b>	<b>(1,602,211)</b>

## (c) 2010/11 Budget Outturn report – Appendix H Housing Revenue Account:

	2010/11 £
<b>Income</b>	
Dwelling Rents	(19,816,792)
Non Dwelling Rents	(481,335)
Charges for Services/Facilities	(462,323)
Contribution towards expenditure on estates	(246,516)
Supporting People	(9,848)
Government Subsidy	6,305,923
Subsidy-Housing Defects Act	-
<b>Total Income</b>	<b>(14,710,891)</b>
<b>Expenditure</b>	
Management General	3,819,282
Maintenance	6,127,059
Capital Charges – depreciation	3,785,000
Provision for Bad Debt	844
Debt Management expenses	905
<b>Total Expenditure</b>	<b>13,733,090</b>
<b>Net Cost of Services</b>	<b>(977,801)</b>
<b>Other operating costs and income</b>	
CDC Costs	172,510
Loan Charges – interest	452,327
Interest Receivable	(32,630)
<b>Net Operating Expenditure</b>	<b>(385,594)</b>
<b>Appropriations</b>	
Transfer to Earmarked Reserve	113,000
Transfer from HRA Capital reserve	(1,069,070)
Transfer to GF Procurement Savings	391,380
Transfer from GF to Repay ISIS Project Invest to Save	(200,000)
Revenue Contributions to Capital	2,204,447
<b>(Surplus)/Deficit</b>	<b>1,054,163</b>

The report above is the final report of a series presented to the Council throughout the year; managers and budget-holders are able to 'drill down' and look at all transactions making up the amounts shown.

Reports are available to the public from the Council's website under "Popular services / Council meetings, minutes and agendas" where readers can also see minutes of Councillors' discussions on budget and performance matters. To see how these statements fit into a historical and strategic perspective, users of the statements are strongly encouraged to view the Council's budget information and other financial and performance information which is also available from the Council's website.

## 2010/11 Reconciliation of Budget Outturn reports Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

	2010/11 £000
Net expenditure in the General Fund segmental analysis – <b>Total Service Expenditure</b>	18,009
Adjustments as a result of the audit process	229
Net expenditure of services and support services not included in the analysis – pensions etc – annual cost, IFRS adjustment, etc	(8,883)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis – not identified as individually material and so aggregated	(173)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	0
<b>Cost of Services in Comprehensive Income and Expenditure Statement – GF</b>	<b>9,182</b>
Net expenditure in the HRA segmental analysis – <b>Net Cost of Services</b>	(978)
Net expenditure of services and support services not included in the outturn analysis – HRA revaluation	74,679
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis – identified as individually material	610
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis – not identified as individually material and so aggregated	665
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement Cost of Services	0
<b>Cost of Services in Comprehensive Income and Expenditure Statement - HRA</b>	<b>74,976</b>
<b>Cost of Services in Comprehensive Income and Expenditure Statement - Total</b>	<b>84,158</b>

### 29. Trading Operations

The council has four ex Direct Service Organisations (DLOs), which now operate as trading accounts they 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.

#### Highways DLO

Contracted to maintain all roads, footpaths etc on Council housing estates and other sites for which the Council is responsible. Various, minor sewerage works are also undertaken by the DLO.

#### Grounds Maintenance DLO

Maintains the Council's parks, playing fields and other open spaces.

#### Cleansing DLO

Undertakes street sweeping and cleansing of various Council properties such as public conveniences.

#### 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.

## DLO Trading Account performance:

		2009/10		2010/11		2011/12	
		£'000	£'000	£'000	£'000	£'000	£'000
Building Maintenance DLO	Turnover	4,450		4,443		4,526	
	Expenditure	(4,124)		(4,246)		(4,601)	
	<b>Surplus/(Deficit)</b>		<b>326</b>		<b>197</b>		<b>(75)</b>
Highways DLO	Turnover	768		853		688	
	Expenditure	(757)		(870)		(876)	
	<b>Surplus/(Deficit)</b>		<b>11</b>		<b>(17)</b>		<b>(188)</b>
Grounds Maintenance DLO	Turnover	2,980		2,796		2,783	
	Expenditure	(2,963)		(2,868)		(2,671)	
	<b>Surplus/(Deficit)</b>		<b>17</b>		<b>(72)</b>		<b>112</b>
Cleansing DLO	Turnover	673		642		763	
	Expenditure	(670)		(675)		(774)	
	<b>Surplus/(Deficit)</b>		<b>3</b>		<b>(33)</b>		<b>(11)</b>
<b>Net DLO Surplus/(Deficit)</b>		<b>357</b>		<b>75</b>		<b>(162)</b>	
Deane Helpline	Turnover	853		876		884	
	Expenditure	(942)		(1,060)		(1,001)	
	<b>Surplus/(Deficit)</b>		<b>(89)</b>		<b>(184)</b>		<b>(117)</b>
<b>Net Trading Surplus/(Deficit)</b>		<b>268</b>		<b>(109)</b>		<b>(279)</b>	

The table below is a reconciliation to show the movement in the Trading Operations Note - Net Trading Surplus/(Deficit) and the amount included in the Comprehensive Income and Expenditure Statement under the Financing and Investment Income and Expenditure line (Note 10) for 2010/11 (the related 2011/12 adjustments are incorporated within the figures in the above table):

	2010/11 £'000
Trading Account (deficit) from note 10	(523)
Adjustments:	
IAS 19 Charge	247
IFRS Employee Benefit Entries	86
Non trading Cost Centres	81
<b>Total (Deficit) per Note 28 Trading Operations</b>	<b>(109)</b>

### 30. Members' Allowances

The table below shows the amounts payable to Members of the Council as allowances and expenses.

	2010/11 £'000	2011/12 £'000
Allowances	330	311
Expenses	8	16
<b>Total</b>	<b>338</b>	<b>327</b>



**31. Officers' Remuneration**

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 £
<b>Chief Executive</b>	2011/12	104,953	3,829	0	108,782	9,465	118,247
	2010/11	100,786	4,317	0	105,103	15,118	120,221
<b>Strategic Director A*</b>	2011/12	73,242	4,763	102,686	180,691	12,094	192,785
	2010/11	72,641	3,685	0	76,326	11,337	87,663
<b>Strategic Director B**</b>	2011/12	81,114	4,863	0	85,977	12,230	98,207
	2010/11	49,793	3,843	0	53,636	7,188	60,824
<b>Strategic Director C</b>	2011/12	72,391	4,605	0	76,996	11,655	88,651
	2010/11	72,641	4,873	0	77,514	10,896	88,410
<b>Strategic Director D</b>	2011/12	75,543	4,511	0	80,054	11,615	91,669
	2010/11	74,391	3,692	0	78,083	11,158	89,241
<b>Theme 1(b) Manager</b>	2011/12	53,890	1,000	0	54,890	8,676	63,566
	2010/11	53,331	778	0	54,109	7,999	62,108
<b>Theme 2 Manager</b>	2011/12	53,691	3,433	0	57,124	8,644	65,768
	2010/11	52,831	3,031	0	55,862	7,924	63,786
<b>Theme 4 Manager</b>	2011/12	54,140	2,386	0	56,526	8,716	65,242
	2010/11	54,290	1,458	0	55,748	7,962	63,710
<b>Theme 1(c) Manager</b>	2011/12	57,929	356	0	58,285	9,324	67,609
	2010/11	57,679	203	0	57,882	8,652	66,534
<b>Theme 1(a) Manager</b>	2011/12	53,770	4,055	0	57,825	8,676	66,501
	2010/11	61,081	5,805	0	66,886	9,162	76,048
<b>Theme 5 Manager</b>	2011/12	33,098	2,920	107,966	143,984	6,042	150,026
	2010/11	50,282	3,477	0	53,759	7,962	61,721

\* Strategic Director A left the organisation through redundancy during 2011/12 as part of the Core Council Review.

\*\* Strategic Director B was on maternity leave during 2010/11.

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	2010/11 Number of employees	2011/12 Number of employees
£50,000 - £54,999	3	4
£55,000 - £59,999	0	2
£60,000 - £64,999	0	1
£65,000 - £69,999	0	0
£70,000 - £74,999	0	0
£75,000 - £79,999	0	0
£80,000 - £84,999	0	1
£85,000 - £89,999	0	1
£90,000 - £94,000	0	0
£95,000 - £99,999	0	0
£100,000 - £104,999	0	0
£105,000 - £109,999	0	0
£110,000 - £114,999	0	1
£115,000 - £119,999	0	1
£120,000 - £124,999	0	0
£125,000 - £129,999	0	0
£130,000 - £134,999	0	1
£135,000 - £139,999	0	1

Exit package cost band (including special payments)	Number of other departures agreed		Number of compulsory redundancies		Total Number of exit packages by cost band		Total cost of exit packages in each band £	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
£0 - £20,000	5	6	0	1	5	7	55,598	45,212
£20,001 - £40,000	1	4	0	0	1	4	0	115,031
£40,001 - £60,000	0	2	0	0	0	2	0	100,438
£60,001 - £80,000	0	2	0	0	0	2	0	140,332
£80,001 - £100,000	0	2	0	0	0	2	0	168,670
£100,000 - £150,000	0	2	0	0	0	2	0	210,651
<b>Total</b>	<b>6</b>	<b>18</b>	<b>0</b>	<b>1</b>	<b>6</b>	<b>19</b>	<b>55,598</b>	<b>780,334</b>

The total cost of £780,334 in the table above is for exit packages that have been agreed, accrued for and charged to the Council's Comprehensive Income and Expenditure Statement in the current year.

### 32. 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 Audit Commission:

\*Please note in the table on the next page the figures for 2010/11 include three instalments from 2009/10 i.e. 15 instalments in total. The 2011/12 figures include 12 instalments.

## External Audit Costs

2010/11 £'000		2011/12 £'000
150	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor*	113
34	Fees payable to the Audit Commission for the certification of grant claims and returns	31
3	Fees payable in respect of other services provided by Audit Commission during the year	1
<b>187</b>	<b>Total</b>	<b>145</b>

**33. Grant Income**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12:

2010/11 £'000		2011/12 £'000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
7,615	Non-domestic Rates	4,569
1,106	Revenue Support Grant	1,412
0	Council Tax Freeze Grant	138
0	New Homes Bonus	392
0	Local Services Support Grant	141
40	Area Based Grant	0
3,865	Capital Grants	599
<b>12,626</b>		<b>7,251</b>
	<b>Credited to Services</b>	
6,768	Council Tax Benefit	6,993
16,472	Rent Allowances	17,623
11,648	Rent Rebates	12,059
2,251	Other Grants	925
<b>37,139</b>	<b>Total</b>	<b>37,600</b>

**34. 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 other 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 33.

## Members

Members of the council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2011/12 is shown in Note 30. During 2011/12, of the amount paid to organisations in which Members had an interest or nominated to represent the Council was £2,242,322; as at 31 March 2012 there were outstanding creditors of £631,016; income received was £4,410,695 and outstanding debt as at 31 March 2012 was £537,286, for which £8,132 has been provided for as potential doubtful debts. Contracts were entered into in full compliance with the Council's standing orders.

Organisation	Income Received 2011/12	Debtors as at 31 <sup>st</sup> March 2012	Expenditure 2011/12	Creditors as at 31 <sup>st</sup> March 2012
Community Council for Somerset	0	0	20,000	0
Brewhouse	15,006	586	162,100	0
Albemarle Centre	3,188	4	33,311	0
Taunton Flower Show	1,848	0	9,688	0
Southwest One Ltd	4,200,540	499,616	1,170,266	618,966
Taunton & District CAB	0	0	8,974	0
Tone Leisure Board	10,881	6,457	416,478	0
North Taunton Partnership	0	0	21,302	0
Somerset Environmental Records Centre	0	0	7,895	0
Royal Bath & West of England Society	0	0	12,823	0
Wessex Water	4,998	0	46,728	0
Viridor Waste Management	154,861	29,828	259,734	0
AIS Cleaning Services (Abrada)	0	0	48,509	0
Other	19,373	795	24,514	12,050
	<b>4,410,695</b>	<b>537,286</b>	<b>2,242,322</b>	<b>631,016</b>

In addition, the Council paid grants totalling £221,663 to voluntary organisations in which 9 members had positions on the governing body. No grants were made to organisations whose senior management included close members of the families of members. In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members Interests, open to public inspection at the council office during office hours.

## Officers

During 2011/12 no senior officers of the council declared any pecuniary interest in any works, services or grants commissioned or awarded by the council.

## Other Public Bodies

A number of members are also members of other local public bodies, including county, other district, parish and town councils. During 2011/12 the Council made payments of £8,572,171 to other local authorities which are all subject to common control by UK Central Government.

### 35. Capital Expenditure and Capital Financing

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

The CFR is analysed as follows:

<i>Capital Financing Requirement (CFR)</i>	<b>2010/11 £'000</b>	<b>2011/12 £'000</b>
<b>Opening Capital Financing Requirement</b>	<b>23,036</b>	<b>22,691</b>
<i>Capital Investment</i>		
Property Plant and Equipment	8,564	7,240
HRA Debt Settlement	0	85,198
Assets Held for Sale	131	0
Investment Properties	0	0
Intangible Assets	24	0
Revenue Expenditure Funded from Capital Under Statute	2,818	1,223
	<b>11,537</b>	<b>116,352</b>
<i>Sources of Finance</i>		
Capital Receipts	(222)	(485)
Government Grants and Other Contributions	(4,727)	(3,231)
Major Repairs Allowance	(3,785)	(3,938)
<i>Sums Set Aside from Revenue</i>		
Direct Revenue Contributions	(2,803)	(809)
Minimum Revenue Provision	(345)	(609)
	<b>(11,882)</b>	<b>(9,072)</b>
<b>Closing Capital Financing Requirement</b>	<b>22,691</b>	<b>107,280</b>

Explanation of movements in the Capital Financing Requirement in year:

	<b>2010/11 £'000</b>	<b>2011/12 £'000</b>
Decrease in underlying need to borrow (unsupported by government financial assistance)	(345)	(609)
HRA Debt Settlement Borrowing	0	85,198
<b>Increase/(Decrease) in the Capital Financing Requirement</b>	<b>(345)</b>	<b>84,589</b>

### 36. Leases

#### Council as Lessee

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. Because 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.

### Operating Leases

The Council has recorded 82 leases for vehicles ranging from vans, lorries and cars to specialist mowers. Lease periods range from 1 to 7 years, most commonly 5 years, and all current operating leases expire by March 2015. The total of future minimum lease payments due in future years are:

	31 March 2011 £'000	31 March 2012 £'000
Not later than one year	97	69
Later than one year and not later than five years	136	78
<b>Total payments due in future years</b>	<b>233</b>	<b>147</b>

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:

	2010/11 £'000	2011/12 £'000
Minimum lease payments	175	175
<b>Total expenditure charged</b>	<b>175</b>	<b>175</b>

### Council as Lessor

The Council has not granted any new finance leases in 2011/12.

### 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. Periods range from rolling 1-week notice periods to 999 years.

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 is subject to significant and sometimes-unpredictable variables such as property values at rent-review intervals and the subsequent change in lease payments. For example, particularly in the current economic climate, it is in practice impossible to reliably predict how long a new or renewing leaseholder may be prepared to commit to. The figures in the table below are therefore a reasoned estimate assuming that annual lease income remains constant.

Operating Leases:

<i>Operating leases:</i>	31 March 2011 £'000	31 March 2012 £'000
Not later than one year	650	708
Later than one year and not later than five years	2,932	3,243
Later than five years and not later than ten years	2,469	2,797
<b>Total payments due in future years</b>	<b>6,051</b>	<b>6,748</b>

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.

### 37. Impairment Losses

During 2011/12 no impairment losses were recognised. During 2010/11, the Council has recognised impairment losses of £326,500 in relation to two of its car parks. This is due to a fall in income due to a reduction in the number of spaces available in the car park. The impairment losses were charged to the Highways and Transport Services line in the Comprehensive Income and Expenditure Statement.

### 38. Termination Benefits

The Council terminated the contracts of 18 employees in 2011/12 (6 in 2010/11), incurring liabilities of £780,334, (£55,600 in 2010/11) – see note 31 for the number of exit packages and total cost per band. Of this total £102,686 is payable to Director A and £107,966 is payable to Theme 5 Manager.

### 39. Defined Benefit Pensions Schemes

#### Participation in Pension Schemes

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

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

#### Transactions relating to retirement 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 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:

	Local Government Pension Scheme	
	2010/11 £'000	2011/12 £'000
<b>Comprehensive Income and Expenditure Statement (CIES)</b>		
<b>Cost of Services:</b>		
Current service cost	3,181	2,455
Past service costs	(9,890)	0
Settlements and curtailments	26	112
	<b>(6,683)</b>	<b>2,567</b>
<b>Financing and Investment Income and Expenditure</b>		
Interest Cost	6,660	5,965
Expected return on scheme assets	(4,343)	(4,481)
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>(4,366)</b>	<b>4,051</b>

	Local Government Pension Scheme	
	2010/11 £'000	2011/12 £'000
<b>Other Post Employment Benefit Charged to the CIES</b>		
Actuarial Gains and Losses	(9,672)	18,204
<b>Total Post Employment Benefit Charged to the CIES</b>	<b>(9,672)</b>	<b>18,204</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	<b>4,366</b>	<b>(4,051)</b>
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
Employers contributions payable to scheme	<b>1,999</b>	<b>2,159</b>

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial losses of £18,204,000 (2010/11 losses of £9,672,000) were included in the Movement in Reserves Statement.

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement in the actuarial gains or losses on pensions assets and liabilities line was to 31 March 2010/11 a loss of £15,285,000 and at 31 March 2011/12 was a loss of £33,489,000.

### Assets and Liabilities in Relation to Post-employment Benefit

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

	Funded Liabilities: Local Government Pension Scheme	
	2010/11 £'000	2011/12 £'000
<b>Opening balance at 1 April</b>	<b>(120,887)</b>	<b>(109,053)</b>
Current service cost	(3,181)	(2,455)
Interest cost	(6,660)	(5,965)
Contributions by scheme participants	(848)	(833)
Actuarial (gains) and losses	8,534	(14,997)
Benefits paid	3,979	4,422
Past service costs	9,890	0
Curtailments	(26)	(112)
Settlements	0	0
Unfunded pension payments	146	149
<b>Closing balance at 31 March</b>	<b>(109,053)</b>	<b>(128,844)</b>

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI)

This has the effect of reducing Taunton Deane Borough Councils liabilities in 2010/11 in the Local Government Pension Scheme by £9,890,000 and was recognised as a past service gain in accordance with guidance set down in UITF Abstract 48 since the change is considered to be a change in benefit entitlement. There was no impact upon the General Fund or Housing Revenue Account.



**Reconciliation of fair value of the scheme assets:**

	Local Government Pension Scheme	
	2010/11 £'000	2011/12 £'000
<b>Opening balance at 1 April</b>	<b>59,433</b>	<b>63,636</b>
Expected rate of return	4,343	4,481
Actuarial gains and losses	1,138	(3,207)
Employer contributions	1,999	2,159
Contributions by scheme participants	848	833
Benefits Paid	(4,125)	(4,571)
<b>Closing balance at 31 March</b>	<b>63,636</b>	<b>63,331</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £1,274,000 (2010/11 £3,532,000)

**Scheme History**

	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000
Present value of liabilities	(84,854)	(78,526)	(120,887)	(109,053)	(128,844)
Fair value of assets	62,403	45,029	59,433	63,636	63,331
<b>Surplus/(Deficit) in the scheme</b>	<b>(22,451)</b>	<b>(33,497)</b>	<b>(61,454)</b>	<b>(45,417)</b>	<b>(65,513)</b>

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £65,513,000 has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £63,331,000. 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 employees (ie before payments fall due), as assessed by the scheme actuary.
- The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year 31 March 2013 is: £2,090,000.

**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 have 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 2010.

The principal assumptions used by the actuary are detailed in the table below:

	Local Government Pension Scheme	
	2010/11	2011/12
<b>Long-term expected rate of return on assets in the scheme:</b>		
Equity investments	7.7%	6.6%
Government Bonds	4.4%	3.3%
Corporate Bonds	5.5%	4.6%
Property	6.8%	5.7%
Cash	3.0%	3.0%
<b>Mortality assumptions</b>		
<b>Longevity at 65 for current pensioners:</b>		
Men	19.8	20.0
Women	23.9	24.0
<b>Longevity at 65 for future pensioners:</b>		
Men	21.9	22.0
Women	25.8	25.9
RPI Increases	3.5%	3.3%
CPI Increases	2.7%	2.5%
Rate of increase in salaries	5.0%	4.7%
Rate of increase in pensions	2.7%	2.5%
Rate for discounting scheme liabilities	5.5%	4.6%
Take-up of option to convert annual pension into retirement lump sum	50%	50%

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

	31 March 2011	31 March 2012
Equity Investments	74%	71%
Gilts	6%	6%
Other Bonds	12%	13%
Property	7%	9%
Cash	1%	1%

### History of Experience Gains and Losses

The actuarial gains identified as movements in the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	2007/08 %	2008/09 %	2009/10 %	2010/11 %	2011/12 %
Differences between the expected and actual return on assets	(22.6%)	(45.3%)	21.1%	1.8%	(5.1)%
Experience gains and losses on liabilities	(1.0%)	0.0%	0.0%	(1,1)%	0.0%

## 40. Contingent Liabilities

### Tone Leisure

During 2004/05 the Council created a Leisure Trust, Tone Leisure, to manage its leisure services on its behalf. The Council fully deficit funds the Leisure Trust. During the creation of the trust, Tone Leisure has become an admitted body into the Somerset County Council Pension Fund and the Council has provided a guarantee that it will meet the employers' contributions due to the Pension Fund if the Trust were to fail to make the necessary payments. In addition if there were to be a deficit on the pension fund - attributable to Tone Leisure's employee pension entitlements at the date of termination of the Council's relationship with the Trust - then the Council would need to make good that deficit by increasing its own contributions to the Fund on an agreed basis. The deficit on the pension fund attributable to Tone Leisure at 31 March 2011 has not been included within the Council's main single entity financial statements and, as part of the Council's group accounts a share has been included in line with Group Accounting requirements. 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 £2.002m (2010/11 £0.808m). The Council's equity interest in Tone Leisure as shown in these Group Accounts takes into account the potential liability.

### Insurance

On 28 March 2012 the Supreme Court ruled that the insurer who was on risk at the time of an employee's exposure to asbestos was liable to pay compensation for the employee's mesothelioma. Municipal Mutual Insurance Limited (MMI) ceased writing insurance and went into run-off in September 1992. TDBC are Scheme Creditors party to the contingent Scheme of Arrangement sanctioned by the Court in January 1994. The Board of Directors is seeking legal, financial and actuarial advice in order to determine the full implications of the judgement and the most appropriate way forward for MMI. TDBC currently has an estimated employer's liability outstanding claims value of £157,500. MMI may ask for TDBC to pay a percentage of the paid out figure and may also ask for the same percentage figure as further claims are paid. It is not possible to predict with any accuracy the potential contribution the Council may be required to pay.

### Personal Searches

There is a potential for claims from personal search agents regarding the repayment of personal search fees which may be claimed as wrongly charged covering a period of six years, which could potentially result in claims against the Council estimated to be up to £100k.

## 41. Contingent Assets

After a review there have been no contingent assets identified for the Council in 2011/12.

## 42. 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 other parties to a financial instrument will fail to meet their contractual obligations, causing a loss for the Council.

**Liquidity Risk** - The possibility that the Council might not have funds available to meet its commitments to make payments.

**Market Risk** - The possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements

In the normal course of its business, the Council will almost always have large amounts of cash-in-hand (the equivalent of a commercial company's working capital) since it often receives money such as grants or council tax shortly before paying it out to cover the costs of its services. The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and has set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

### **Credit Risk**

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

The Council manages credit risk by ensuring that investments are placed with the Debt Management Office, other Local Authorities, AAA-rated money market funds and Banks and Building Societies of sufficiently high credit quality as set out in the Treasury Management Strategy. 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 two years. The Council has no historical experience of counterparty default. The Council has recently restricted the amount of the Council's total income that can be held in MMF's.

It must also be noted that although credit ratings remain a key source of information, the Council recognises they have limitations and investment decisions are based on a range of credit indicators. Investments should be made in line with the Council's Treasury Management Strategy Statement. The 2011-12 version was approved by Executive on 16 March 2011. The 2011/12 Treasury Management Strategy can be found via the following web link: [www.tauntondeane.gov.uk](http://www.tauntondeane.gov.uk) and then clicking on Council – Committees, Boards and Panels – Executive - View agendas and minutes - 16 March 2011.

During the year, deposits with European Banks (excluding the UK) were subsequently suspended as a result of market conditions and the Eurozone debt crisis.

Until November 2011 the minimum credit rating criteria for new investments in 2011/12 was a long term rating of A+/A1/A+ (Credit ratings Fitch/Moody's/Standard and Poor's). Following downgrades to a number of systemically important financial institutions in Autumn 2011 a lower minimum credit rating of A-/A3/A+ (Fitch/Moody's/Standard and Poor's) was adopted by the Council once the revised Treasury Management Strategy was approved by Full Council.

The table on the following page summarised the nominal value of the Council's investment portfolio at 31 March 2012, and confirms that all investments were made in line with the Council's approved credit rating criteria at the time of placing the investment:

Counterparty	Credit Rating Criteria Met when Investment Placed?	Credit Rating Criteria met on 31.03.2012?	Balance Invested as at 31 March 2012 £'000					Totals
			Up to 1 month	≥ 1 month and < 3 months	≥ 3 month and < 6 months	≥ 6 month and < 12 months	≥ 12 month and < 24 months	
	Yes/No?	Yes/No?	£'000	£'000	£'000	£'000	£'000	£'000
Banks - UK	YES	YES	1,000	0	3,000	1,500	0	<b>5,500</b>
Building Societies - UK	YES	YES	1,500	0	0	0	0	<b>1,500</b>
Money Market Funds	YES	YES	2,800	0	0	0	0	<b>2,800</b>
<b>Total</b>			<b>5,300</b>	<b>0</b>	<b>3,000</b>	<b>1,500</b>	<b>0</b>	<b>9,800</b>

The analysis in the table above shows that all deposits outstanding as at 31 March 2012 met the Council's credit rating criteria on that date.

### Trade Receivables

The analysis below summarises the Council's potential maximum exposure to credit risk, based on the experience gathered over the last five financial years on the level of default on trade debtors, adjusted for current market conditions. As per the Code of Practice requirements, the disclosure below details only debtors that have arisen as a result of trading activities. 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.

31 March 2011 Trade Debtors £'000		31 March 2012 Trade Debtors £'000	31 March 2012 Impairment £'000	31 March 2012 Trade Debtors not Impaired £'000
2,012	Less than three months	1,747	0	1,747
492	Over three months up to six months	256	13	243
156	Over six months up to one year	113	24	89
990	More than one year	794	359	435
<b>3,650</b>		<b>2,910</b>	<b>396</b>	<b>2,514</b>

### Liquidity Risk

The authority has ready access to borrowings from the Public Works Loans Board, commercial banks, bond issues, medium term notes, tax increment financing, the European Investment Bank and other local authorities. There is no perceived risk that the Council will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates.

The Council would only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

The Authority's borrowing is made up of long term and short term borrowing. Long term borrowing refers to loans which mature beyond 12 months from the balance sheet date and short term borrowing is borrowing which matures within 12 months of the balance sheet date.

The maturity analysis of the nominal value of the Council's debt at 31 March 2012 was as follows:

	Long-term		Current	
	31 March 2012 £'000	31 March 2011 £'000	31 March 2012 £'000	31 March 2011 £'000
<b>Loans by Type</b>				
Public Works Loan Board	91,341	6,125	0	0
Other Financial Institutions	3,038	3,839	801	6,009
	<b>94,379</b>	<b>9,964</b>	<b>801</b>	<b>6,009</b>
<b>Loans by Maturity</b>				
Less than 1 year	0	0	801	6,009
Over 1 but not over 2 years	0	801	0	0
Over 2 but not over 5 years	4,772	2,073	0	0
Over 5 but not over 10 years	24,003	0	0	0
Over 10 but not over 15 years	41,009	0	0	0
Over 15 but not over 20 years	17,505	0	0	0
Over 20 but not over 25 years	0	0	0	0
More than 25 years	7,090	7,090	0	0
	<b>94,379</b>	<b>9,964</b>	<b>801</b>	<b>6,009</b>

All trade and other payables are due to be paid in less than one year.

The Council has £3m of LOBO loans that are currently in their call period. It is unlikely that the lender will revise the terms of the loan in the next year, but if the terms are changed then the Council will repay these loans.

## Market Risk

### Interest Rate Risk

The Council is exposed to significant 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 charged to Surplus or Deficit on the Provision of Services will rise.

Borrowings at fixed rates – the fair value of the liabilities borrowings will fall.

Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise.

Investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other 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 and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The Council has a policy to have a maximum of 50% of borrowings in variable rate loans.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	2010/11	2011/12
	£'000	£'000
Increase in interest payable on variable rate borrowings	0	50
Increase in interest receivable on variable rate investments	(123)	(98)
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>(123)</b>	<b>(48)</b>
<b>Share of overall impact credited to HRA</b>	(43)	(20)
Decrease in fair value of fixed rate borrowings	0	10,425

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

### Price Risk

The authority does not generally invest in equity shares, so is not exposed to gains or losses arising from movements in the prices of the shares.

### 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.

### 43. Heritage Assets: Further Information

The Council has recognised Civic Insignia and Civic Silver on the balance sheet as a Heritage Asset in 2011/12. The main items included in the Civic Insignia and Silver are:

- The Mayors Chain – this was acquired in 1884 and presented to the Corporation of Taunton. Every year a new shield was added up until 1973/74. Altogether there are 68 shields on the chain and on each shield is the name of each mayor. The chain is believed to be 18 carat gold and the medallion 9 carat gold weight of the chain in total is 750 grams. The chain was transferred to Taunton Deane Borough Council in 1974 on the reorganisation of local government. The chain is worn by the mayor at most civic engagements.
- The Mayoress's Chain – this was acquired in 1928 and there are 37 shields on the chain each with the names of mayoress's on. The chain is believed to be 14 carat gold and the medallion is diamond encrusted. The total weight of the chain is 190 grams. The chain was transferred to Taunton Deane Borough Council in 1974 on the reorganisation of local government. The chain is worn by the mayoress at most civic engagements.
- The Mace – this was acquired in 1877. The mace is silver and the weight of the mace is 2.7kg. The mace was historically used to protect the Mayor but is now used for ceremonial purposes.
- The Civic Silver – this has been purchased or donated throughout the years. Some of the Civic Silver is on display to the public in a cabinet in the internal foyer at the Council's offices. The silver has half yearly outings to Annual Council and the annual civic dinner and dance where it creates a lot of interest from those attending the events.

The Council also owns various paintings including a collection by Harry Frier but it is felt that these do not meet the definition of Heritage Assets as they are not held principally for the contribution to knowledge and culture.

#### 44. Heritage Assets: Change in Accounting Policy required by the Code of Practice for Local Authority Accounting in the United Kingdom

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for heritage assets held by the Council. As set out in our summary of significant accounting policies, the Council now requires heritage assets to be carried on the balance sheet at valuation.

##### Heritage Assets

For 2011/12 the Council is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were either recognised as community assets (at cost) in the property, plant and equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. Community Assets (that are now to be classified as heritage assets) that were donated to the Council were held at valuation as a proxy for historical cost. The Council's accounting policies for recognition and measurement of heritage assets are set out in the Council's summary of significant accounting policies (see note 1 Accounting Policies xi).

In applying the new accounting policy, the Council has recognised £141k of heritage assets that were not previously recognised on the Balance Sheet. There is a corresponding increase in the Revaluation Reserve. The 1 April 2010 and 31 March 2011 Balance Sheets and 2010/11 comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy.

The effects of the restatement are as follows:

- At 1 April 2010 the carrying amount of the Heritage Assets is presented as its valuation at £141k. The revaluation reserve has increased by £141k.
- The 1 April 2010 Balance Sheet has been fully restated.

The adjustments that have been made to that Balance sheet over the version published in the 2010/11 Statement of Accounts are as follows:

##### Effect on Opening Balance Sheet 1 April 2010

	Opening Balances as at 1 April 2010	Restatement	Restatement required to opening balances as at 1 April 2010
	£'000	£'000	£'000
Heritage Assets	0	141	141
<b>Long Term Assets</b>	<b>400,290</b>	<b>141</b>	<b>400,431</b>
<b>Total Net Assets</b>	<b>334,467</b>	<b>141</b>	<b>334,608</b>
Unusable Reserves	315,305	141	315,446
<b>Total Reserves</b>	<b>334,467</b>	<b>141</b>	<b>334,608</b>

##### Comprehensive Income and Expenditure Statement

There has been no change to the Comprehensive Income and Expenditure Statement in relation to the recognition of heritage assets.



**Movement in Reserves Statement – Unusable Reserves 2010/11**

The restatement of the relevant lines of the Movement in Reserves Statement as of 31 March 2010 and 2011, as a result of the application of this new accounting policy is presented in the table below:

	<b>As Previously Stated 31 March 2011</b>	<b>As Restated 31 March 2011</b>	<b>Restatement 2011</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance as at the end of the previous reporting period – 31 March 2010	334,467	141	334,608
Balance at the end of the current reporting period - 31 March 2011	<b>256,742</b>	<b>141</b>	<b>256,883</b>

The resulting restated balance sheet for the 31 March is included on page 20. The adjustments that have been made to that balance sheet over the version published in the 2010/11 Statement of Accounts are shown in the table above.

**Effect on Balance Sheet 31 March 2011**

	<b>Opening Balances as at 1 April 2010</b>	<b>Restatement</b>	<b>Restatement required to opening balances as at 1 April 2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Heritage Assets	0	141	141
<b>Long Term Assets</b>	<b>306,747</b>	<b>141</b>	<b>306,888</b>
<b>Total Net Assets</b>	<b>256,742</b>	<b>141</b>	<b>256,883</b>
Unusable Reserves	239,391	141	239,532
<b>Total Reserves</b>	<b>256,742</b>	<b>141</b>	<b>256,883</b>

The effect of the change in accounting policy in 2011/12 has been that heritage assets are recognised at £141k on the Balance Sheet resulting in an increase to the Revaluation Reserve of £141k.

**45. Changes to Service Expenditure Analysis**

In 2011/12 the Council was required to split the income and expenditure in the line in the 2010/11 Comprehensive Income and Expenditure Statement into three separate lines. This is a requirement of the Service Reporting Code of Practice (SeRCOP) 2011/12.

The new lines are:

- Culture and Related Services
- Environmental and Regulatory Services
- Planning Services

The restatement of the relevant lines in the Comprehensive Income and Expenditure Statement is shown in the table on the next page:

	Gross Expenditure Year Ended 31 March 2011	Gross Income Year Ended 31 March 2011	Net Expenditure Year Ended 31 March 2011
	£'000	£'000	£'000
As Per 2010/11 Statement of Accounts			
Cultural, Environmental, Regulatory and Planning Services	18,580	(5,173)	13,407
<b>Restated figures for 2011/12 Statement of Accounts</b>			
Cultural and Related Services	4,274	(752)	3,522
Environmental and Regulatory Services	6,907	(2,250)	4,657
Planning Services	7,399	(2,171)	5,288
<b>Total</b>	<b>18,580</b>	<b>5,173</b>	<b>13,467</b>

#### 46. Trust Funds

The Council acts as a sole trustee for two trust funds: Galmington Trust and Greenway Trust. As a trustee the Council holds the property but does not own the assets. The Council has responsibility for controlling the assets of the Trust Funds and is accountable for any losses on the funds. The Trust Funds have been included in the Council's Group Accounts.

##### 2011/12

	Income £'000	Expenditure £'000	Assets £'000	Liabilities £'000
Galmington Trust	12	(12)	129	(3)
Greenway Trust	9	(9)	5	0
<b>Total</b>	<b>21</b>	<b>(21)</b>	<b>134</b>	<b>(3)</b>

##### 2010/11

	Income £'000	Expenditure £'000	Assets £'000	Liabilities £'000
Galmington Trust	14	(14)	145	0
Greenway Trust	12	(12)	5	0
<b>Total</b>	<b>26</b>	<b>(26)</b>	<b>150</b>	<b>0</b>



## Statement of Movement on the HRA Balance

2010/11			2011/12	
£'000	£'000		£'000	£'000
	<b>2,647</b>	<b>Balance on the HRA at the end of the year</b>		<b>1,594</b>
(76,329)		Surplus or (deficit) for the year on the HRA Income and Expenditure Account	(85,546)	
74,320		Adjustments between accounting basis and funding under statute (see analysis below)	85,223	
(2,009)		Net Increase or (decrease) before transfers to or from reserves	(323)	
956		Transfers (to) or from reserves	85	
	(1,053)	Increase or (decrease) in the year on the HRA		(238)
	<b>1,594</b>	<b>Balance on the HRA at the end of the current year</b>		<b>1,356</b>

### 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.

2010/11		2011/12
£'000		£'000
(39)	Difference between amounts charged to HRA Income and Expenditure for premiums and discounts and the charge for the year determined in accordance with statute	(39)
16	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statute requirements	(13)
471	Reversal of (Gain) or loss on sale of HRA non-current assets	(449)
548	HRA share of contributions to or from the Pensions Reserve	182
(2,205)	Capital Expenditure funded by the Housing Revenue Account	(193)
(3,938)	Transfer to/from the Major Repairs Reserve	(3,938)
79,467	Transfer to/from the Capital Adjustment Account	89,673
<b>74,320</b>		<b>85,223</b>

## 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 non-domestic rates.

2010/11			2011/12	
£'000	£'000		£'000	£'000
		<b>Income</b>		
50,895		Council Tax	51,423	
		Transfers from General Fund		
6,770		Council Tax Benefits	6,846	
		Contributions towards previous years' Collection Fund Deficit		
914		Somerset County Council	505	
143		Avon & Somerset Police Authority	83	
61		Devon & Somerset Fire & Rescue Authority	35	
130		Taunton Deane Borough Council	72	
33,897		Income Collectable from Business Ratepayers	37,493	
	<b>92,810</b>			<b>96,457</b>
		<b>Expenditure</b>		
		Precepts		
41,487		Somerset County Council	41,493	
6,786		Avon & Somerset Police Authority	6,787	
2,899		Devon & Somerset Fire & Rescue Authority	2,899	
5,929		Taunton Deane Borough Council	5,964	
		Business Rates		
33,736		Payment to National Pool	37,332	
161		Costs of Collection	161	
		Council Tax		
119		Provision for bad and doubtful debts/appeals	106	
0		Less write offs during the year	324	
	<b>91,117</b>			<b>95,066</b>
	<b>1,693</b>	Surplus/ (Deficit) for the year		<b>1,391</b>
	<b>(1,365)</b>	Surplus/ (Deficit) Balance Brought Forward		<b>328</b>
	<b>328</b>	Surplus/ (Deficit) Balance Carried Forward		<b>1,719</b>
		Attributable to:		
	229	Somerset County Council		1,239
	47	Avon & Somerset Police Authority		212
	19	Devon & Somerset Fire & Rescue Authority		90
	33	Taunton Deane Borough Council		178
	<b>328</b>			<b>1,719</b>

## Notes to the Supplementary Statements

## Housing Revenue Account

## A Housing Stock

The Council was responsible for managing around 6,000 dwellings during 2011/12. The stock at 31 March was made up as follows:

	31 March 2011	31 March 2012
Houses	3,037	3,030
Flats	2,029	2,011
Bungalows	864	864
Other	99	99
	<b>6,029</b>	<b>6,004</b>

The change in stock in was made up of 12 sales and 10 demolitions in the year plus 3 other movements.

## B Value of Assets

The balance sheet value of HRA assets at 31 March 2011 and 31 March 2012 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
<b>Cost or Valuation</b>								
At 1 April 2011	205,427	19,362	57	1,987	<b>226,833</b>	239	668	<b>227,740</b>
Additions	4,111	0	20	0	<b>4,131</b>	0	0	<b>4,131</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	0	0	0	<b>0</b>	0	0	<b>0</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	<b>0</b>	0	0	<b>0</b>
Derecognition – Disposals	(602)	0	0	0	<b>(602)</b>	(123)	0	<b>(725)</b>
Assets reclassified (to)/from Held for Sale	(136)	0	0	0	<b>(136)</b>	136	0	<b>0</b>
<b>At 31 March 2012</b>	<b>208,800</b>	<b>19,362</b>	<b>77</b>	<b>1,987</b>	<b>230,226</b>	<b>252</b>	<b>668</b>	<b>231,146</b>
<b>Accumulated Depreciation and Impairments</b>								
At 1 April 2011	(87)	(298)	(57)	(154)	<b>(596)</b>	0	(229)	<b>(825)</b>
Depreciation Charge	(3,938)	(419)	0	(51)	<b>(4,408)</b>	0	(67)	<b>(4,475)</b>
Depreciation written out to the Revaluation Reserve	0	0	0	0	<b>0</b>	0	0	<b>0</b>
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	<b>0</b>	0	0	<b>0</b>
<b>At 31 March 2012</b>	<b>(4,025)</b>	<b>(717)</b>	<b>(57)</b>	<b>(205)</b>	<b>(5,004)</b>	<b>0</b>	<b>(296)</b>	<b>(5,300)</b>
<b>Net Book Value as at 31 March 2012</b>	<b>204,775</b>	<b>18,645</b>	<b>20</b>	<b>1,782</b>	<b>225,222</b>	<b>252</b>	<b>372</b>	<b>225,846</b>

<b>Comparatives 2010/11</b>	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	<b>TOTAL Assets £'000</b>
<b>Cost or Valuation</b>								
At 1 April 2010	300,342	18,641	57	1,987	<b>321,027</b>	187	644	<b>321,858</b>
Additions	5,641	664	0	0	<b>6,304</b>	0	24	<b>6,328</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(24,559)	57	0	0	<b>(24,502)</b>	0	0	<b>(24,502)</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(74,675)	0	0	0	<b>(74,675)</b>	0	0	<b>(74,675)</b>
Derecognition – Disposals	(1,082)	0	0	0	<b>(1,082)</b>	(187)	0	<b>(1,269)</b>
Assets reclassified (to)/from Held for Sale	(239)	0	0	0	<b>(239)</b>	239	0	<b>0</b>
<b>At 31 March 2011</b>	<b>205,428</b>	<b>19,362</b>	<b>57</b>	<b>1,987</b>	<b>226,833</b>	<b>239</b>	<b>668</b>	<b>227,740</b>
<b>Accumulated Depreciation and Impairments</b>								
At 1 April 2010	(87)	(213)	(57)	(102)	<b>(460)</b>	0	(165)	<b>(625)</b>
Depreciation Charge	(3,785)	(415)	0	(51)	<b>(4,251)</b>	0	(64)	<b>(4,315)</b>
Depreciation written out to the Revaluation Reserve	3,785	323	0	0	<b>4,108</b>	0	0	<b>4,108</b>
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	7	0	0	<b>7</b>	0	0	<b>7</b>
<b>At 31 March 2011</b>	<b>(87)</b>	<b>(298)</b>	<b>(57)</b>	<b>(153)</b>	<b>(595)</b>	<b>0</b>	<b>(229)</b>	<b>(825)</b>
<b>Net Book Value as at 31 March 2011</b>	<b>205,340</b>	<b>19,064</b>	<b>0</b>	<b>1,834</b>	<b>226,237</b>	<b>239</b>	<b>439</b>	<b>226,915</b>

### C Value of Dwellings at 1 April 2011

The open market value of dwellings within the HRA at 1 April 2011 is £662,667,639 compared with the balance sheet value of £205,426,968. The difference of £457,240,671 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:

<b>31 March 2011</b>		<b>31 March 2012</b>
<b>£'000</b>		<b>£'000</b>
489	Rent arrears	484
(240)	Provision for bad debts	(307)
249	Anticipated collectable arrears	177
2.5%	Arrears as % of gross rent income	2.3%

### 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 0.61% (1.1% in 2010/11) of available properties were vacant. Average weekly rents were £67.86, an increase of £4.67 (7.39%) 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.

2010/11		2011/12
£'000		£'000
0	<b>Balance at 1 April</b>	0
4,315	Transfer from Capital Adjustment Account	4,408
(530)	Transfer to Housing Revenue Account to fund non dwelling depreciation	(470)
(3,785)	Financing of HRA Capital Expenditure	(3,938)
0	<b>Balance at 31 March</b>	0

**H Revenue Expenditure funded from Capital under Statute**

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

2010/11		2011/12
£'000		£'000
325	Disabled Facilities Grants	0
0	Self financing payment	85,198
325	<b>Total</b>	<b>85,198</b>

During 2011/12 the Council updated its recognition of disable adaptations as enhancements to the long term assets of the HRA. Previous amounts have not been restated.

**I Entitlement to Housing Subsidy**

The amount of Housing Subsidy payable for 2011/12 has been calculated as follows:

2010/11		2011/12
£'000		£'000
2,889	Management	3,010
5,987	Maintenance	6,218
3,785	Major repairs	3,938
1,039	Charges for capital	1,065
<b>13,700</b>		<b>14,231</b>
(19,807)	Rent	(21,148)
<b>(6,107)</b>		<b>(6,917)</b>
(199)	Adjustment for 2010/11	(204)
(6,306)	Negative Subsidy Payable to the Government	(7,121)
0	Adjustment for Interest Costs in March 2012 related to Self Financing	31
<b>(6,306)</b>	<b>Total Subsidy Payable</b>	<b>(7,090)</b>



**J Total Capital Expenditure and Receipts**

2010/11		2011/12
£'000		£'000
	<b>HRA Capital Expenditure</b>	
5,640	Dwellings	4,111
664	Other land and buildings	0
0	Vehicles Plant and Equipment	21
0	Infrastructure	0
24	Intangible assets	0
325	Revenue expenditure funded from capital under statute	0
<b>6,653</b>		<b>4,132</b>
	<b>Financed By</b>	
0	Capital receipts	0
2,204	Contribution from revenue	194
3,785	Major repairs reserve	3,938
664	Other grants	0
<b>6,653</b>		<b>4,132</b>

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

2010/11	Housing Capital Receipts	2011/12
£'000		£'000
801	Dwellings	1,090
0	Land	0
0	Other assets	0
(17)	Administrative cost of sales	(5)
11	Discount refunded upon sale	0
0	Mortgage repayments – council sales	0
<b>795</b>		<b>1,085</b>

**K 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 £30,000 (2010/11 £85,000) 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****L Council Tax**

The Council's tax base for 2011/12, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply), converted to an equivalent number of Band D dwelling, was calculated as follows:

Band	Number of Taxable Dwellings After Discount	Ratio	Band D Equivalent Dwellings
A (Disabled Reduction)	7.50	5/9	4.17
A	5,687.80	6/9	3,791.87
B	13,287.12	7/9	10,334.44
C	8,302.20	8/9	7,379.73
D	6,307.75	9/9	6,307.75
E	5,041.36	11/9	6,161.66
F	3,033.04	13/9	4,381.06
G	1,391.65	15/9	2,319.42
H	59.25	18/9	118.50
	<b>43,117.67</b>		<b>40,798.59</b>
Less Adjustment for Collection Rates			(407.99)
Council Tax Base			<b>40,390.60</b>

**M 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 total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of resident population.

The total non-domestic rateable value at 31 March 2012 was £101,262,125. The standard national non-domestic multiplier for the year was £0.433; the national non-domestic small business multiplier for the year was £0.426.

## Group Accounts

The Council's group accounts consolidate into its own accounts (as a single entity) the financial activities of outside organisations such as subsidiaries, joint ventures and associates. This enables the reader of the Annual Statement of Accounts to see the whole span of influence that the Council has. The Council is represented on many external bodies, but as membership of these bodies does not confer any financial obligation on behalf of the Council, these relationships do not require inclusion within the Group Accounts. However, the Council has identified the following organisations as being part of its group accounts:

### 1. Tone Leisure

During 2004/05 the Council created a Leisure Trust to manage its Leisure facilities. The Council has both financial and service benefits accruing from the Trust's operations. In addition the Trust is dependent on the Council for deficit funding and as such the Council has a degree of control over its activities. The Council has included the Leisure Trust as an Associate within its Group Accounts using the equity method – in other words, in proportion to the level of voting rights that it has on the Leisure Trust Board (16.67%). The Council has a commitment to meet pension fund deficits relating to Tone Leisure upon the termination of the Council's relationship with the Trust. It should be noted that the accounts of Tone Leisure, which have been consolidated into the Council's Group Accounts, are still at draft stage. If as a result of the audit the accounts change materially then the Council's group accounts will be amended accordingly. Full details of Tone Leisure's accounts are available from: David Martin, Interim Finance Director, Tone Leisure, The Deane House, Belvedere Road, Taunton, TA1 1HE

As a registered charity and social enterprise, Tone Leisure Ltd does not have to use IFRS and so its accounts have been prepared using the 2005 Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities". This has no material effect on the accuracy of the Group accounts.

### 2. Trust Funds

Excluded from the Council's single entity balance sheet are the financial activities of the two Trust Funds, which the Council operates. The Council administers the assets of the Trust Funds but it does not own the assets; it is however, the sole Trustee. As the Trustee the Council has sole responsibility for controlling the assets of the Trust Funds and is accountable for any losses on the Funds; therefore they are included within the Council's Group Accounts as a directly managed fund.

For all bodies the information used to form the Group Accounts is at 31 March 2012.

The Group Accounts shown on the following pages are as follows:

- Group Comprehensive Income and Expenditure Account
- Group Balance Sheet

As there are no material additional amounts or details in relation to associates or trust funds the notes shown for the single entity accounts are not repeated here.

The main change required to bring together the Group Accounts from the Single Entity Accounts is to bring in the Council's share of the assets and liabilities of its associates and directly managed funds.

## Group Comprehensive Income and Expenditure Statement

RESTATED 2010/11				2011/12		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
8,459	(7,344)	1,115	Central services to the public	8,725	(7,728)	997
4,274	(752)	3,522	Cultural and Related Services	3,749	(668)	3,081
6,907	(2,250)	4,657	Environmental and Regulatory Services	7,364	(2,235)	5,129
7,399	(2,171)	5,228	Planning Services	5,684	(1,813)	3,871
4,772	(4,760)	12	Highways and transport services	2,127	(4,295)	(2,168)
21,247	(20,950)	297	Local Authority housing (HRA)	22,816	(22,601)	215
74,679	0	74,679	Local Authority housing – revaluation losses on dwellings	0	0	0
0	0	0	Local Authority housing – settlement payment to Government for HRA self - financing	85,198	0	85,198
31,603	(28,582)	3,021	Other housing services	33,034	(31,130)	1,904
1,374	(25)	1,349	Corporate & Democratic Core	1,665	(394)	1,271
0	(9,864)	(9,864)	Non distributed costs – change in inflation factor for retirement benefits	0	0	0
147	(5)	142	Non distributed costs	252	0	252
0	(61)	(61)	Share of operating results of associates	(31)	0	(31)
<b>160,861</b>	<b>(76,764)</b>	<b>84,097</b>	<b>Cost of Services</b>	<b>170,583</b>	<b>(70,864)</b>	<b>99,719</b>
		(577)	Exceptional items (Note 5,6)			0
		1,502	Other operating expenditure (Note 9)			948
		3,728	Financing and investment income and expenditure			1,936
		(18,425)	Taxation and non-specific grant income (Note 11)			(14,190)
		<b>70,325</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>88,413</b>
		17,184	Surplus or deficit on revaluation of Property, Plant and Equipment assets			(959)
		(9,672)	Actuarial gains/losses on pension assets/liabilities			18,020
		<b>7,512</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>17,061</b>
		<b>77,837</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>105,474</b>

### Reconciliation of TDBC Surplus to Group Surplus

	2010/11 £'000	2011/12 £'000
(Surplus) or deficit for the year on the provision of services	70,386	88,444
(Surplus) or deficit for the year arising from Associate company	(61)	(31)
<b>Group Account (surplus) or deficit for the year on services</b>	<b>70,325</b>	<b>88,413</b>

## Group Balance Sheet

RESTATED 1 April 2010	RESTATED 31 March 2011		Note	31 March 2012	
£'000	£'000	£'000		£'000	£'000
300,255		205,340	Council Dwellings		204,774
76,561		77,715	Other Land and Buildings		75,644
3,035		3,300	Vehicles, Plant and Equipment		4,529
10,514		10,841	Infrastructure Assets		10,748
4,284		4,312	Community Assets		4,340
1,339		1,558	Assets under construction		3,757
<b>395,988</b>		<b>303,066</b>	<b>Total Property, Plant &amp; Equipment</b>		<b>303,792</b>
141		141	Heritage Assets		141
3,329		3,029	Investment Property		3,081
923		674	Intangible Assets		557
3		3	Long Term Investments		3
(245)		(30)	Share in net assets of associate		(244)
176		104	Long Term Debtors		101
<b>400,315</b>		<b>306,987</b>	<b>Long Term Assets</b>		<b>307,431</b>
0	0		Current Held for Sale Investment Property	291	
5,000	2,000		Short term Investments	4,500	
186	1,231		Assets Held for Sale	1,056	
169	133		Inventories	168	
11,177	9,195		Short Term Debtors	6,567	
4,431	11,285		Cash & Cash Equivalents	6,263	
<b>20,963</b>		<b>23,844</b>	<b>Current Assets</b>		<b>18,845</b>
(6,985)	(6,009)		Short Term Borrowing	(801)	
(8,919)	(12,438)		Short Term Creditors	(14,495)	
0	0		Provisions	(7)	
<b>(15,904)</b>		<b>(18,447)</b>	<b>Current Liabilities</b>		<b>(15,303)</b>
		<b>312,384</b>			<b>310,973</b>
(9,404)	(9,964)		Long Term Borrowing	(94,379)	
(61,454)	(45,417)		Other Long Term Liabilities	(65,513)	
0	0		Capital Grants Receipt in Advance	0	
<b>(70,858)</b>		<b>(55,381)</b>	<b>Long Term Liabilities</b>		<b>(159,892)</b>
<b>334,516</b>		<b>257,003</b>	<b>Net Assets</b>		<b>151,081</b>
18,916		17,351	Usable Reserves		15,134
315,600		239,682	Unusable Reserves		135,947
<b>334,516</b>		<b>257,003</b>	<b>Total Reserves</b>		<b>151,081</b>

### II. Impact of Group Accounts on the Cash Flow Statement

As the 'group' arrangement does not materially affect the day-to-day operations of either the associate company or the trust funds administered by the Council, the group accounts have no significant impact on the cash flow statement previously presented on page 21.

## 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 which 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.

### **Audit Commission**

Auditors employed by the Audit Commission provide the external audit of the accounts, performance plan, and grant claims of Taunton Deane Borough Council.

### **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 authority 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.

**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.

**Collection Fund**

A statutory fund maintained by a billing authority, which is used to record local taxes and non-domestic rates collected by the authority, along with payments to precepting authorities and the national pool of non-domestic rates, as well as into its own general fund.

**Collection Fund Adjustment Account**

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

**Community Assets**

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

**Commuted Sum**

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

**Componentisation**

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

**Corporate and Democratic Core**

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

**Council Tax**

The main source of local taxation for local authorities. Council tax is set by local authorities and is levied on all domestic dwellings whether houses, bungalows, flats, maisonettes, mobile homes or houseboats, and whether owned or rented. The proceeds are paid into the council's Collection Fund for distribution to precepting authorities and for use by its own General Fund. Council Tax replaced community charge on 1st April 1993.

**Creditors**

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

**Debtors**

Amounts owed to the authority 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.

**Discontinued Operations**

Operations comprise services and divisions of service as defined in CIPFA's standard classification of income and expenditure. An operation should be classified as discontinued if all of the following conditions are met:

- The termination of the operation is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved;
- The activities related to the operation have ceased permanently;
- The termination of the operation has a material effect on the nature and focus of the local authority's operations and represents a material reduction in its provision of services resulting either from its withdrawal from a particular activity (whether a service or division of service or its provision in a specific geographical area) or from a material reduction in net expenditure in the local authority's continuing operations;
- The assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes.

Operations not satisfying all these conditions are classified as continuing.

**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 arms 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.

**Financial Instruments Adjustment Account**

The financial instruments adjustment account balance represents the amount that should have been charged to the Comprehensive Income and Expenditure Statement in accordance with proper accounting practices under the Code of Practice but which statutory provisions allow or require it to be deferred over future years e.g. premiums for the early redemption of loans or discounts for soft loans.

**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.

**Group Accounts**

The council is required to consolidate into its own accounts (as a single entity) the financial activities of outside organisations such as subsidiaries, joint ventures and associates. These consolidated accounts show the whole span of influence, which the council has, and are known as group accounts.

**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.

**Housing subsidy**

Most authorities receive HRA subsidy from the government to cover the costs of proving, managing and maintaining dwellings, allowable capital charges and paying housing benefit to council tenants. HRA subsidy is payable when the authority's notional HRA expenditure exceeds its notional HRA income (i.e. from rents and interest on receipts), as determined by the government – this is the current position of the council.

**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 authority. 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.

**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 in line with national criteria, and then redistributed among all local authorities and police authorities on the basis of population. 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 authority 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 Contribution to Capital Outlay (RCCO)**

Resources provided from the council's revenue budget to finance the cost of capital projects (also known as "direct revenue financing").

**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.

**Section 137 Expenditure**

Local authorities generally require specific statutory powers in order to incur expenditure. Expenditure incurred under section 137 is the exception to this. Section 137 of the Local Government Act 1972 gives a power to a local authority to undertake a limited amount of spending on activities for which it has no specific powers, but which it considers will bring direct benefit to all or some of the area or its inhabitants.

**Support Service Recharges**

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

**Urgent Issues Task Force (UITF)**

The role of the UITF is to assist the Accounting Standards Board where there are unsatisfactory or conflicting interpretation of accounting standards.

**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.