

Taunton Deane Borough Council

Corporate Governance Committee – 31 July 2017

Approval of the Statement of Accounts 2016/17

Report of the Finance Manager

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

1 Executive Summary

The Statement of Accounts for 2016/17 is required to be approved by the Corporate Governance Committee and signed by the S151 Officer (Paul Fitzgerald) and the Chair of the Corporate Governance Committee (Councillor Sully). The Statement of Accounts document is attached to this report.

This report also links to and reflects the Audit Findings Report which was prepared by and will be presented by the Council's external auditors – Grant Thornton UK LLP.

2 Background

- 2.1 The Accounts and Audit Regulations 2015 require the Statement of Accounts to be approved by a resolution of a nominated committee. The current constitutional arrangements devolve this responsibility to the Corporate Governance Committee.
- 2.2 The S151 officer is required to sign off the unaudited Draft Accounts as true and fair by 30 June each year. The audited Statement of Accounts must be approved by Committee by 30 September each year. Once approved the Statement must be signed by the S151 Officer and the Chair of the Corporate Governance Committee, and published on the Council's website. This requirement will change for the 2017/18 accounts and in anticipation we have worked to the 2017/18 deadlines of 31 May and the Final Accounts signed off by the 31 July.
- 2.3 The Council's Statement of Accounts has been audited this year by Grant Thornton UK LLP and is attached to this report. At the time of writing this report, Grant Thornton intend to issue an unqualified opinion, as reported in the Audit Findings Report earlier on the agenda for this meeting.

3 Recommendations

Members are recommended to:

- 3.1 Note the Auditor's unqualified opinion on the Statement of Accounts.
- 3.2 Approve the 2016/17 Statement of Accounts as attached to this report; then,
- 3.3 The Chairman of the Committee is requested to sign the Statement of Accounts.

4 Statement of Accounts

- 4.1 The Statement of Accounts for 2016/17 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 2016/17.
- 4.2 In 2016/17 there was a significant change in the Code of Practice to our accounting requirements which meant that we had to report our income and expenditure in the same format that we produce our management accounts to committee. This also meant that we had to restate our 2015/16 figures in the same format for comparative purposes. The changes are highlighted in note 2 on page 34. This format change does not change the outturn figures ("bottom line") and is presentational only.
- 4.3 The Statement of Accounts contain four main statements reflecting the position of the Council at 31 March 2017:
 - Comprehensive Income and Expenditure Statement
 - Movement in Reserves Statement
 - Balance Sheet
 - Cash Flow Statement
- 4.4 There are also supplementary statements related to the Collection Fund (which deals with the collection and distribution of Council Tax and Business Rates) and the Housing Revenue Account.

Movement in Reserves Statement

- 4.5 This account shows the changes in the Council's financial resources over the year by showing the movement on the reserves held. These are analysed into Usable Reserves (these can be used to fund spending) and Unusable Reserves (reserves that cannot be spent as they contain technical accounting adjustments that do not represent available funding).
- 4.6 The total of the Council's Usable Reserves (capital and revenue combined) has increased by £3.776m in year to £46.398m. The largest

movements are seen in the HRA earmarked reserves, £1.951m (principally transfers of £1.835m to the reserves relating to electrical and planned maintenance contract; and £1m to the Social Housing Development Fund. These were partly offset by the use of carryforwards which were approved for 2015/16.

- 4.7 The Statement shows that both the General Fund and Housing Revenue Account (HRA) balances are above the minimum level required in the Council's financial strategy, with General Fund Reserves increasing from £2.113m to £2.186m, and HRA balances increasing from £2.675m to £3.244m in year.

Comprehensive Income and Expenditure Statement

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

- 4.9 The Net Cost of Services has increased by £4.567m compared to the previous year's accounts. This mainly reflects the impairment of assets such as St James' Pool which has been decommissioned and the DLO Depot coming into operation. These impairments are reversed in Local Authority accounts so they do not impact on the Council Tax payer. The overall Surplus on the Provision of Services has only decreased by £1.251m to £4.789m due to mitigating increases in income; funding; and a gain on the sale of surplus assets of £2.816m mainly relating to the sale of the DLO Depot.

- 4.10 The Financial Outturn position for 2016/17 was reported to Corporate Scrutiny in July and will be reported to Executive in August. This included information relating to the Council's financial performance for the 2016/17 financial year. The reports highlighted key variances to the budget and provided explanations for these.

Balance Sheet

- 4.11 The Balance Sheet provides a snapshot of the Council's financial position as at 31 March 2017 (with comparatives for 31 March 2016).

- 4.12 The Balance Sheet shows that net assets have increased by £16m in 2016/17, to a balance of £214m as at March 2017. There has been a significant increase of £21m in the pension scheme liability (principally as a result of a change in actuarial assumptions) and increases of £31m in property, plant and equipment (mainly due to revaluation increases in council dwellings and our other buildings).

Cashflow Statement

- 4.13 The cash flow statement summarises the flows of cash and cash equivalents into and out of the Council during the year.
- 4.14 Cash and cash equivalents are represented by the following: cash in hand; deposits with financial institutions repayable without penalty on notice of not more than 24 hours; and investments that mature in one month or less from the date of the balance sheet and are readily convertible into cash.
- 4.15 During the year the Council's cash and cash equivalents increased by approximately £3.8m. This is a "snapshot" of our cash holdings and reflects a significant increase in our Money Market Funds investments.

Housing Revenue Account

- 4.16 The Housing Revenue Account (HRA) Income and Expenditure Account shows the economic cost in year of providing housing services.
- 4.17 The HRA for 2016/17 shows that the net income for the year of £7.032m is very close to the 2015/16 figure of £7.029m. The allowance for bad debts has increased by £54k.

Collection Fund

- 4.18 The Collection Fund Statement shows the total amount the Council has collected from rate payers on behalf of, and distributed to, all of the precepting authorities and Central Government. The major precepting authorities are Somerset County Council, Avon and Somerset Police, Devon and Somerset Fire and Rescue Authority and Central Government. The Council has a statutory obligation to maintain a separate Collection Fund Account.
- 4.19 The presentation of the statement clearly separates the Council Tax and Business Rates movements and balances. The statement shows that the Council has collected £101.1m on behalf of ourselves, the precepting authorities and Central Government. This comprises council tax income of £60.5m and business rates income of £40.6m.
- 4.20 The statement currently shows a surplus of £2.4m (TDBC share = £265k) in respect of Council Tax and a deficit of £494k (TDBC share = £198k) in respect of business rates.

5 Result of the Audit of the Statement of Accounts

- 5.1 Grant Thornton UK LLP intends to issue the Council with an “unqualified” opinion on the Statement of Accounts and the Value for Money conclusion. This is good news and means that the Auditors agree that the Accounts provide a “true and fair view” of the financial position.
- 5.2 During the audit there was an amendment to the Council Dwellings revaluation figure of £13.8m which has been reflected in the Accounts and in the Audit findings. We also made other minor amendments during our checking process but these were mainly presentational.

6 Legal Comments

- 6.1 There is a Statement of Responsibilities within the Statement of Accounts, which summarises responsibilities for the Council and its S151 officer. The Accounts are prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, which specifies the principles and practices of accounting required to give a ‘true and fair’ view of the financial position and transactions of the Council.
- 6.2 The Code sets out the proper accounting practices required by section 21(2) of the Local Government Act 2003. These proper practices apply to:
- Statements of Accounts prepared in accordance with the statutory framework by the Accounts and Audit (England) Regulations 2015
 - The audit of those accounts undertaken in accordance with the statutory framework established by section 5 of the Local Audit and Accountability Act 2014

7 Links to Corporate Aims

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

8 Environmental Implications

- 8.1 There are no environmental implications.

9 Community Safety Implications

- 9.1 There are no community safety implications.

10 Equalities Impact

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

11 Risk Management

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

12 Partnership Implications

- 12.1 There are no partnership implications.

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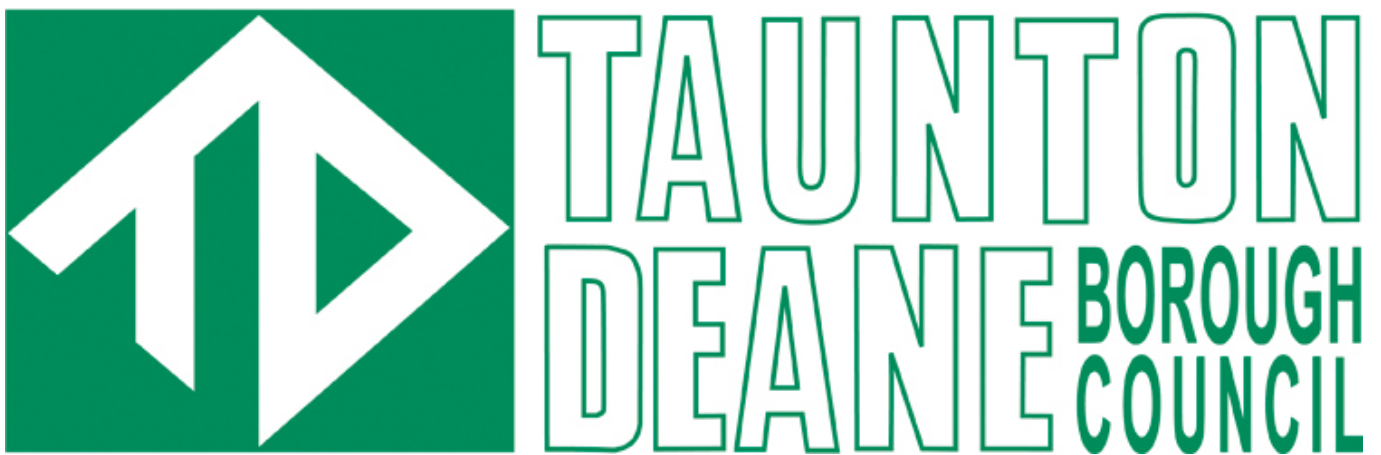
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Background Papers

Executive – 3 August 2017: Financial Outturn 2016/17

TAUNTON DEANE BOROUGH COUNCIL

STATEMENT OF ACCOUNTS 2016/17



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Narrative Report

STATEMENT BY THE ASSISTANT DIRECTOR – STRATEGIC FINANCE AND S151 OFFICER

This Report highlights some of the most important matters reported in the accounts and provides a management commentary on the financial performance and standing of the Council. The commentary is focussed both on the performance in the past year and on issues affecting the Council in 2017/18 and beyond.

COUNCIL'S PERFORMANCE

This has been another challenging year of Budget cuts and difficult choices. We have however, continued to deliver the savings from the One Team of officers across Taunton Deane and West Somerset Councils and have found savings through joint working and efficient use of our resources. We have set our 2017/18 budget by choosing savings which will have the least impact on our service delivery. The Council continues to focus on Growth and Development and we have committed funds to support this vision.

The Council publishes corporate performance information, based on a 'basket' of key performance indicators, on the Council Performance page of our website, which is available from this link:

<https://www.tauntondeane.gov.uk/council-performance/>

Some highlights of how the Council has performed during 2016/17 are shown below:

Blackbrook Pavilion Swimming Pool and Spa complex - construction of a new multi-million pound 25m swimming pool, learner pool and spa was completed and opened in July 2016. The state-of-the-art new swimming pool and spa are fantastic additions to our leisure facilities.

New DLO Depot – in November 2016, the new DLO depot in Chelston Wellington opened. It has been a hugely successful project and has been delivered on time, within budget and is of the highest quality.

Garden Town Status - Taunton was named as one of a new wave of Garden Towns by the Government – firmly rooting the county town's position as a key centre in the South West. The success of the bid recognises the Council's strategy to deliver major regeneration in the town centre, new sustainable communities, improved transport and supporting infrastructure, marrying development with access to green spaces. Development will centre on urban extensions already identified – Monkton Heathfield, Comeytrove/Trull and Staplegrove.

Land Charges - To highlight their consistently high standard of service delivery, the Land Charges team discovered that their service at TDBC was rated 12th out of 326 councils nationally in the category of "The Best Performing Local Land Charges Department" at the annual Local Land Charges Awards event held in March 17.

Planning - The Planning Policy Team has been shortlisted by Planning magazine for the Planning Team of the Year.

Vivary Park - the jewel in Taunton's crown, has been awarded five stars and a gold award from this year's Britain in Bloom judging.

Hamilton Gault Park - took centre stage at Lords cricket ground in London as the national Charity Fields in Trust celebrated its work across the country, held to recognise "those organisations who have gone the extra mile over the last year to advocate the work of Fields in Trust and to further its mission of ensuring everyone – young or old, able-bodied or disabled and wherever they live – should have access to free, local outdoor space for sport, play and recreation."

The Taunton Park was one of just eight nationally to be showcased, while Taunton Deane Borough Council was one of six local authorities across Britain recognised as one of Fields in Trust's Partners of the Year.

Halcon One Team - TDBC secured a prestigious national award for its role in the ground-breaking Halcon One Team. The awards, run by the national Improvement & Efficiency Social Enterprise (iESE). Halcon One Team is a multi-agency initiative bringing together the Borough Council, Police, Somerset County Council and other partners to make a difference in one of the least well-off areas of Taunton.

Taunton Deane was one of 14 Councils across the country to be shortlisted and gained silver in the Transforming Access to Services category.

Growth Programme

- The Council has appointed a **Marketing and Communications partner** to maximise the opportunities of Garden Town status, i.e. continuing to raise Taunton's profile for business inward investment, as well as increasing awareness locally.
- **Taunton Growth Prospectus** – a refresh of this key document commenced autumn 2016 with extensive review and analysis of data and intelligence, and consultations with key local stakeholders. The process has aligned closely with the refresh of the Somerset Growth Plan, and is now in its final stages with approval to adopt the refreshed document likely to be sought summer 2017.
- **Taunton Town Centre Regeneration projects:**
 - **Firepool** – following a decision to refuse planning permission in Sept 2016 a revised Outline Planning application was re-submitted in April 2017. Two key land purchases were completed in Dec 2016 and March 2017.
 - **Coal Orchard** – Phase 2 was completed during 2016/17, leading to an Outline Planning application being submitted in Sept 2016, and preparation of a funding Business Case to be considered by Executive and Full Council June 2017.
 - **Public Space Improvements project** - the initial phases of this project were completed in 2016/17 which identified, developed and then consulted on a range of options for proposed changes to address issues of traffic volume and circulation in the town centre - to be implemented on a trial basis during 2017/18.
 - **Access, Parking and Signage** – funding was approved in 2016 for electronic signage (VMS), Pay on Foot car parking package, and new fixed (Brown) signage.
- **New Garden Communities (Urban Extensions):**
 - **Monkton Heathfield** - Master planning work started in 2016/17 and initial options identified. A Memorandum of Understanding (MoU) has been signed by all developers for delivery of the Western Relief Road, and detailed design work for this is nearing completion. A new Primary School and Community Hall opened in 2016.
 - **Comeytrove/Trull and Staplegrove** – Site Allocations (SADMP) was adopted in 2016 for Comeytrove/Trull.
- **Strategic Employment Site at J25** – Consultants were appointed in 2016 to prepare a 'Local Development Order' for the site – and good progress has been made throughout 2016/17 towards the LDO and Design Guide. A public launch of the 'Nexus 25' site and brand was held in March 2017 together with the initial informal public consultation of the LDO (which is anticipated to be adopted autumn 2017).
- **Major Transport Infrastructure Schemes:**
 - **Transport Strategy** – consultants were jointly commissioned in 2016 by TDBC and SCC to produce an updated Transport Strategy for Taunton, replacing and updating the existing SCC Transport Strategy. A key stakeholder event was held in March 2017 and a

first draft document has now been prepared – it is anticipated that the final strategy will be presented to Scrutiny for comment summer 2017.

- **M5, Junction 25 improvements (including access to 'Nexus 25' Employment Site)** – full funding for the scheme was secured and SCC prepared and submitted a Planning application
- **Toneway Corridor** – £6.4m Growth Deal funding by the Local Enterprise Partnership (LEP) was secured in early 2017
- **Strategic Flood Solution** – a Collaborative agreement between EA & TDBC was signed in autumn 2016, following which consultants were appointed to progress Phase 2 of the project – preparation of detailed options appraisal and planning, which have progressed well during 2016/17. Options Appraisals expected by December 2017 in advance of a Planning application early 2018.

Resident Satisfaction Survey

For 2016/17 the Council did not carry out its usual annual satisfaction survey. However, as part of the proposed new council consultation exercise, a statistically representative random sample of Taunton Deane residents (aged 18 or over) was polled by telephone by Populus Data Solutions on our behalf.

Part of that survey sought feedback regarding the public perception of satisfaction with the Council. A summary of the results in relation to value for money and the efficient running of the Council are provided below:

69% agreed that the Council is efficient and well run
66% agreed that the Council provides value for money
(Sample size 385)

FINANCIAL PERFORMANCE

Economic Environment

It has been well documented that Local Government has seen major cuts over several years now and 2016/17 saw us with a challenging budget gap to close and the prospect of further cuts to come with some of our grants changed or extinguished completely. We now know that Revenue Support Grant (RSG) will disappear by 2019/20 with a “negative RSG” reduction of £128,000 in our business rates tariff. Overall this will mean our Settlement Funding baseline (including RSG, Rural Services grant and Business Rates Baseline) will have reduced from £5.8m in 2013/14 to £3.0m by 2019/20 – a reduction of 49%.

Housing growth within the Borough has had a positive impact on our funding, with our New Homes Bonus (NHB) Grant reaching its highest to date in excess of £4m. We have prioritised this and future NHB funding to underpin our planned £16m investment in growth, infrastructure and regeneration. We have therefore performed well in obtaining grant through this growth-incentive based funding stream.

The overall funding position and trend does not come as a surprise to us and we have acted prudently to try to protect ourselves from having to make cuts that will impact adversely on the public. We know in some cases this has been unavoidable, but we have taken steps to look at the long-term position and set aside funds for Growth and Economic Development; look at our risk profile and maintain adequate reserves; we use prudent financial provisions to mitigate the effect of business rates appeals and we set aside funds in reserves to ensure the Council can deliver projects which we have laid before Committee and which we believe will add to the experience of living in Taunton Deane, such as the new pool at Blackbrook and the development at Firepool.

Financial Management

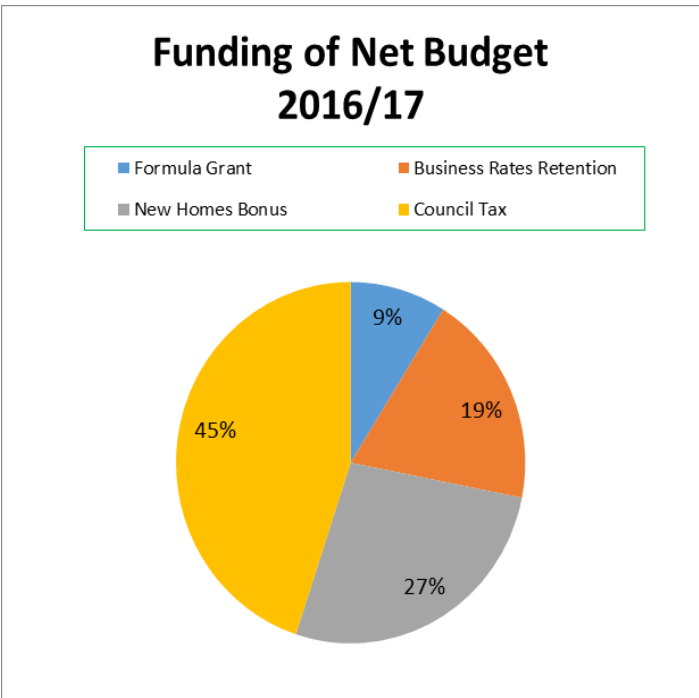
The financial standing of the Council is robust with sound and improving financial management practices. The outturn for the Council results in a transfer to general reserves of £101k.

FINANCIAL OVERVIEW

General Fund Revenue Budget and Reserves

The Council’s Net Budget for 2016/17 was £14.396m, representing the net cost of General Fund services funded by grants, business rates and council tax as shown in the following table and graph.

In setting the budget for 2016/17 the Council increased Council Tax by 3.63% (£5 on an equivalent Band D property). This meant that the Band D Council Tax rate became £142.88.



	£k
Formula Grant (RSG and RSDG)	1,280
Retained business rates	2,959
Business rates Collection Fund deficit	(192)
New Homes Bonus	3,883
Council Tax Collection Fund surplus	131
Council Tax income	6,335
Net Budget	14,396

The Council’s actual net expenditure in 2016/17 was £14.979m which results in a reported net underspend of £101k (0.8% of Net Budget). The net underspend arose due to variances in several budget areas. The most significant underspends have been reported against Benefits, Council Tax, Interest income, Cemetery and Crematorium, and Environmental Health. These together with other smaller underspends have enabled the Council to offset budget overspends/shortfalls in arriving at the net position. The following table provides a summary of the financial results for the year compared to budget.

General Fund Outturn 2016/17	Budget £k	Actual £k	Variance	
			£k	%
Community Leadership	501	509	8	1.6
Corporate Resources	1,534	2,814	1,280	83.4
Economic Development	1,032	1,702	670	64.9
Environmental Services	4,609	4,486	(123)	-2.7
General Services	1,278	783	(495)	-38.7
Housing Services	2,676	2,835	159	5.9
Planning, Transportation and Comms	(2,145)	(1,787)	358	16.7
Sports, Parks and Leisure	3,326	4,801	1,475	44.3
Trading Units	16	12	(4)	-25.0
Interest and Other income	(364)	(498)	(134)	-36.8
Parish Precepts & Special Expenses	717	717	0	
Capital Financing from GF Revenue (RCCO)	564	3,289	2,725	
Repayments of Capital Borrowing (MRP)	180	180	0	
Transfers to Collection Fund Adjustment	0	652	652	
Transfers to Capital Adjustment Account	(3,086)	(6,409)	(3,323)	
Transfers to/(from) Earmarked Reserves	3,583	1,109	(2,474)	
Transfers to Financial Instrument Adjustment Account	0	(82)	(82)	
Transfer to General Reserves	(25)	(25)	0	
Transfers to/(from) Pension Reserve	0	142	142	
Net Budget	14,396	15,230	834	5.9
Funding	(14,396)	(15,331)	(935)	-6.5
Net Under(-)/Overspend for the year	0	(101)	(101)	-0.6

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

The General Fund Reserves have increased from £2.113m at the start of the year to £2.186m at 31 March 2017, this is £586k above the recommended minimum balance of £1.600m and provides some mitigation for emerging risks.

The Council also carries Earmarked Reserve balances, which represent funds that have been set aside to support specific spending in future years. The General Fund Earmarked Reserves balance at 31 March 2017 stands at £17.344m. This balance covers a wide variety of known planned spending commitments, including: Business Rates funding deficit; New Homes Bonus Growth Reserve; Creating a New Council and SWOne Succession Planning with several other smaller commitments which we have prudently put aside.

CAPITAL SPENDING AND RESERVES

In addition to our spending on day-to-day service provision, the Council spends money on assets such as buildings, major improvements to parks, and contributions to jointly-financed schemes. Capital expenditure in the year totalled £21.018m (£18.634m in 2015/16). Capital spending comprises £10.256m on General Fund schemes and £10.762m on HRA capital works, as summarised in the table below. The General Fund capital spending related to a wide range of projects which included costs for the new swimming pool and spa at Blackbrook, the DLO Depot relocation, disabled facilities grants, area regeneration schemes, and many other smaller projects. HRA capital works are largely related to maintaining housing standards, including replacing kitchens, bathrooms, windows, doors, heating systems and other related works. Investment in social housing development has seen £1.479m spent on schemes in Taunton and Wellington.

General Fund Capital Schemes	£k	HRA Capital Schemes	£k
Blackbrook Pool	1,931	Heating Systems	4,902
SWP Loan	1,567	Kitchens and Bathrooms	1,781
Housing Enabling and Housing Standards	1,219	Doors and Windows	518
Play Equipment and Sports Facilities	614	Accessibility Aids and Adaptations	386
DLO Vehicles, Plant and Equipment	156	Door Entry Systems	274
DLO Depot Relocation	2,455	Asbestos Works	345
Youth Projects	311	Development of Additional Dwellings	1,479
Regeneration Schemes	1,160	Fascias, Soffits and Fire Safety	845
Community Grants	141	Other schemes	232
Car Parks	135		
ICT Equipment	417		
Waste Containers	93		
Other schemes	57		
Total	10,256	Total	10,762

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

The General Fund Capital Programme has committed approved capital spending in future years of £23.456m. The HRA Capital Programme has committed approved capital spending into future years of £18.727m.

Sources of Capital Funding	£k
Revenue Funding	4,082
Capital Grants and Contributions	1,269
Capital Receipts	4,711
Borrowing	2,415
Major Repairs Reserve (HRA)	8,541
Total	21,018

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

Capital reserves reflect funds set aside to fund investment in capital items in future years, and largely comprise grants, contributions and capital receipts that are committed on projects to be completed in the current approved capital programme. The Council currently holds £23.274m of capital reserves, providing funding for the approved capital spending referred to above. The Council has also approved borrowing of £15.663m to fund approved schemes.

Balance Sheet

Below is an extract from our Balance Sheet showing the position at year end and the comparison with the position last year:-

	31 March 2016	31 March 2017
	£k	£k
Non-current assets	355,914	388,896
Net current assets – debtors, stock and cash less short term creditors and liabilities	10,492	10,558
Long term liabilities and provisions	(167,995)	(185,086)
Net assets	198,411	214,368
Represented by: Usable reserves	42,622	46,398
Represented by: Unusable reserves	155,789	167,970
Total Reserves	198,411	214,368

Housing Revenue Account (HRA) Budget and Reserves

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

The Net Budget for the HRA is £Nil, reflecting the self-financing nature of the account. However, financial performance is measured against the Gross Income budget, which is £26,769k for the year. The HRA has reported a net surplus of £881k for 2016/17, which is 3% of gross income. The surplus is retained within the HRA, and relates mainly to one-off items including lower than budgeted rent loss through voids, lower interest payments and higher investment income due to higher cash balances. The following table provides a summary of performance against budget for the year.

HRA Outturn 2016/17	Budget	Outturn	Variance	
	£k	£k	£k	%
Gross Income	(26,769)	(27,117)	(348)	1%
Service Expenditure	14,233	14,046	(187)	1%
Other Operating Costs and Income	3,937	3,628	(309)	(8%)
Earmarked Reserve Transfers	(333)	(333)	0	0%
Capital Financing and Debt Repayment	8,708	8,671	(37)	0%
Technical Accounting Adjustments	224	224	0	0%
Net Variance	0	(881)	(881)	3%

The Housing Revenue Account Reserve has increased from £2.675m at the start of the year to £3.224m at 31 March 2017. The year end balance is still well above the minimum level set within the Council's financial strategy of £1.8m, providing some resilience for financial and service risks and opportunities.

The HRA Earmarked Reserve balance at 31 March 2017 is £6.847m, an increase of £1.952m in the year. The reserves are committed in a number of areas including: Social Housing Development Fund £1.290m to support new build and acquisition of additional homes; planned maintenance contracts re-programmed to start in 2017/18 £3.117m; provision for future non-payment of rent and charges due to welfare reform £433k, and a range of other smaller reserves.

Treasury Management

Total cash and cash equivalents plus short term investments at 31 March 2017 were £25.205m. The main factors that would affect cash in the future are:

- Acquisition and disposals relating to the capital programme;
- The value of reserve balances;
- Appeals provisions;
- Grants and contributions unapplied.

	31 March 2016	31 March 2017
	£k	£k
Cash and other cash equivalents	16,378	20,189
Short term investments	10,015	5,016
Total	26,393	25,205

Pensions

The Council's share of the overall Pension Fund deficit increased from £78.4m at 31 March 2016 to £99.5m at 31 March 2017. The deficit has increased by 27%, which is largely due to a change in the financial valuation assumptions by the actuaries.

Following the actuarial valuation in 2016 we have changed the way in which we contribute to the Pension Fund as an employer. We are now required to contribute a percentage plus a lump sum each year. In 2016/17 this lump sum was £1.220m rising to £1.898m in 2017/18.

ENVIRONMENTAL

Local authorities in Somerset have been working together to develop waste services since 1992 through a joint forum called Somerset Waste Partnership. In October 2007 this co-operation was taken a major step further when Somerset became the first county-wide area to combine waste service functions under a single joint committee of Councillors (Somerset Waste Board) from all Somerset local authorities.

Somerset Waste Partnership jointly manages and plans waste collection, recycling and disposal services for almost 250,000 Somerset homes, aiming to increase recycling and reduce the amount of waste going to landfill.

From the latest published performance information published by the Somerset Waste Board (June 2017) key headlines are:

Taunton Deane recycling centre recovery rates = 76.5% (359,409 visits were made to the two recycling centres in Taunton Deane).

Taunton Deane household recycling = 353 kilograms per household

Taunton Deane household waste (inc. recycling) = 731 kilograms per household

FINANCIAL CHALLENGES IN 2017/18

For 2017/18, the Council had to address a budget gap in the region of £0.5m. This has resulted primarily from the reduction in Revenue Support Grant; inflation rate increases and the significant increase in both the pension lump sum we pay each year and the employer's contribution which has also increased following the actuaries' valuation and their change in assumptions.

As part of the Final Settlement details, Central Government again gave all district councils the power to raise Council Tax by £5 for a Band D property without the need for a referendum. Taunton Deane took this option which raised £88k towards the budget gap.

2017/18 also sees the implementation of the Apprenticeship Levy which encourages employers to create more apprenticeship roles. We have to pay the levy across to Central Government. This amounts to £55k for the Taunton Deane Borough Council but it gives us access to a pot which reflects that amount plus a 10% "top-up" from Central Government to pay for accredited training for new apprentices.

We have also seen our Revenue Support Grant (RSG) halved from the previous year, just £645k for 2017/18. 2018/19 will be the last year we receive RSG.

In March 2016, the Secretary of State set out a number of conditions related to an offer to agree to a 4-year settlement. Authorities needed to complete an Efficiency Plan to be submitted with any submission to take up the offer of the 4-year settlement. We agreed to the settlement and provided an Efficiency Plan to give some certainty to the following funding streams.

- Revenue Support Grant
- Rural Services Delivery Grant
- Transitional Grant

Following a consultation we replied to last year there have been some changes to New Homes Bonus. The consultation proposed a reduction in the number of year's grant we receive, falling from 6 to 4 years or possibly more. In the Final Settlement we learnt that we would receive only 5 years grant and then this would be reduced to four years from 2018/19. This lost us in the region of £576k towards our Growth ambitions but we had anticipated it. A further blow was the implementation of a growth levy which we had not expected which top-sliced 0.4% (£235k) from our new Homes Bonus growth figure.

Another pressure emerged during the 2017/18 Budget Setting round. We received the results of the triennial valuation of our Local Government Pension Scheme (LGPS). The lump sum required for

2017/18 meant an additional £509k for the General Fund and £169k for the HRA along with an increase in the Employers' contribution from 13.5% to 15.4% adding an additional £161k for the General Fund and £90k for the HRA. The lump sum is due to increase each year thereafter reaching £2.117m for the General Fund and HRA by 2021/22, which is a risk for budget setting. We have included these increases in our Medium Term Financial Plan. This significant change was due for the most part on changes to actuaries' assumptions, with them taking a more cautious stance.

In order to be able to close the budget gap going forward our transformation project is pivotal. Only with a new approach to service provision will we be able to close the gap and continue to provide services which meet the needs of our community. We continue to work on these transformational changes to bring on-going savings.

PRINCIPAL RISKS AND UNCERTAINTIES

A risk management strategy is in place to identify and evaluate risks. There are clearly defined steps to support better decision making through the understanding of risks, whether a positive opportunity or a threat and the likely impact. We also use our risk register as a tool to help demonstrate and calculate our minimum acceptable level of reserves.

Risks are managed at all levels within the Council. The most serious and/or cross-cutting strategic risks are escalated to the Corporate Risk Register. The Corporate Risk Register is subject to regular review by the Joint Management Team and the risks regularly reported to the Council's Corporate Governance Committee. Each risk has an owner and is supported by actions designed to reduce uncertainty and the Council's exposure to risk.

The key areas of corporate risk at March 2017, centred on:

- Financial uncertainty / budgetary pressures
- Asset Management – regulatory compliance
- The Growth Programme - delivering the ambitions and realising the outcomes & benefits as defined in the Taunton Growth Prospectus and Taunton Rethink.
- Impact of welfare reform – impact on our residents and our rental income
- Business continuity – preparedness for disaster / major incident
- Non-compliance with national law or policy
- Delivering services with a reduced staffing capacity

WHAT'S NEXT?

Transformation programme

Proposed New Council – during the summer TDBC and West Somerset councillors considered a high level business case which contained three options for change. Both councils chose the option to transform the ways in which the councils deliver services and to pursue the creation of a single new district council for the combined communities of Taunton Deane and West Somerset. A public consultation exercise took place between December 2016 and February 2017 on the proposal and a business case was submitted to the Secretary of State for Communities and Local Government in March 2017.

The Secretary of State will now consider the submission, which is based on the business case presented to councillors in the summer, and includes feedback received during the consultation period. We now await the Secretary of State's decision which we expect later in 2017.

In the meantime we are preparing the groundwork to ensure we are ready to move forward if the decision is made to create a new council.

New Finance System and HR Payroll System – During 2016/17 we began preparing for the implementation of a new Finance System and HR Payroll system which would take us forward after we

exited the Southwest One contract for back office services. The new systems came on-line from 1 April 2017 and we are working hard to deliver business as usual (BAU) with our new systems.

Deane House Refurbishment – Following the decision taken at Full Council to fully renovate Deane House the work has begun to make the building fit for purpose at the same time updating it and reconfiguring the areas used by Taunton Deane staff to allow bespoke areas to be rented out to partners and outside bodies, thus making our asset work for us, delivering new income streams and providing a central hub for the local population.

Commercialism - The Deane House project is part of a theme of works looking at making our assets work harder and maximising our income streams. We see commercialism as a key element to funding our services in the future as Central Government funding wains and service pressures increase.

100% Business Rates Retention – In July 2016 Central Government issued a consultation document requesting views from local government on the implementation of the Government's commitment to allow local government to retain 100% of the Business Rates that they raise locally. Central Government is committed to this change and although at first sight it appears a "good deal" for local government we are mindful that this increase in funds will be accompanied by an increase in responsibilities. Overall, Central Government is expecting this to be self-funding so we are prudent in our assumptions and have not anticipated further income which is not offset by further expense.

Some authorities are "pilots" for the new scheme and we will learn more following the close of the current consultation about the details of the new responsibilities and how the relationship between upper and lower tier authorities will work.

Within the consultation is a proposal to centralise the appeals risk and we hope this will mitigate some of the volatility in Business Rates Appeals. We await the details of this alongside the results of the Fair Funding Review which allocates funds to councils.

EXPLANATION OF ACCOUNTING STATEMENTS

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

- The **Comprehensive Income and Expenditure Statement** (page 16) 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 **Movement in Reserves Statement** (pages 17) 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 **Balance Sheet** (page 18) 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 19) summarises the flows of cash into and out of the Council during the year.
- The **Notes to the Financial Statements** (pages 20 to 79) provide supplementary information on some of the figures contained within the primary statements. They also include accounting policies, which guide the treatment of income and expenditure, and disclosures relating to the assets and liabilities of the Council.

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

FURTHER INFORMATION

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

P Fitzgerald ACMA CGMA, Section 151 Officer, The Deane House, Belvedere Road, Taunton, TA1 1HE
Telephoning: (01823) 356310
E-mail to: p.fitzgerald@tauntondeane.gov.uk

The Statement of Responsibilities for the Statement of Accounts

The Council is required to:

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

The Assistant Director – Strategic Finance is required to:

The Assistant Director – Strategic Finance 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 Assistant Director – Strategic Finance 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 Assistant Director – Strategic Finance 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 2017 and its income and expenditure for the year ended 31 March 2017.

P Fitzgerald ACMA, CGMA
Assistant Director – Strategic Finance
Section 151 Officer

31 May 2017

Approval of the Accounts

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

Chair of Corporate Governance Committee

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

The independent auditor's report will appear here, following completion of the audit, for the final audited accounts due to be approved by the Corporate Governance Committee

Independent Auditor's Report to the Members of Taunton Deane Borough Council (continued)

**Independent Auditor's Report to the Members of Taunton Deane
Borough Council (continued)**

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.

2015/16 (Restated)				2016/17		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
660	(13)	647	Community Leadership	690	(16)	674
37,470	(36,052)	1,418	Corporate Resources Economic Development, Asset	38,462	(34,671)	3,791
3,136	(558)	2,578	Management and the Arts	3,355	(544)	2,811
6,887	(2,380)	4,507	Environmental Services	7,000	(2,645)	4,355
1,085	(1)	1,084	General Services	820	(83)	737
20,512	(27,541)	(7,029)	Housing Revenue Account	20,531	(27,563)	(7,032)
1,917	(348)	1,569	Housing Services (General Fund only) Planning, Transportations and	3,008	(318)	2,690
3,063	(4,967)	(1,904)	Communications	3,393	(5,742)	(2,349)
3,492	(597)	2,895	Sports, Parks and Leisure	5,132	(477)	4,655
78,222	(72,457)	5,765	Cost of Services	82,391	(72,059)	10,332
		388	Other Operating Expenditure			(1,704)
			Financing and Investment Income and			
		4,771	Expenditure			4,222
		(16,964)	Taxation and Non-Specific Grant Income			(17,639)
			(Surplus) or Deficit on Provision of			
		(6,040)	Services			(4,789)
			(Surplus) or deficit on revaluation of			
		(11,707)	Property, Plant and Equipment assets			(29,345)
			Surplus or deficit on revaluation of available			
		(33)	for sale financial assets			(87)
			Remeasurement of the net defined benefit			
		(18,021)	liability			18,264
			Other Comprehensive Income and			
		(29,761)	Expenditure			(11,168)
			Total Comprehensive Income and			
		(35,801)	Expenditure			(15,957)

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	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
2016/17								
Balance at 31 March 2016	(19,021)	(7,569)	(8,275)	(6,176)	(1,581)	(42,622)	(155,789)	(198,411)
Movement in Reserves during 2016/17								
Total Comprehensive Income and Expenditure	662	(5,451)	0	0	0	(4,789)	(11,168)	(15,957)
Adjustments between accounting basis and funding basis under regulations (note 10)	(1,171)	2,949	(1,064)	1,585	(1,286)	1,013	(1,013)	0
Increase/(Decrease) in 2016/17	(509)	(2,502)	(1,064)	1,585	(1,286)	(3,776)	(12,181)	(15,957)
Balance at 31 March 2017	(19,530)	(10,071)	(9,339)	(4,591)	(2,867)	(46,398)	(167,970)	(214,368)
2015/16								
Balance at 31 March 2015	(17,379)	(5,705)	(6,724)	(5,064)	(700)	(35,572)	(127,038)	(162,610)
Movement in Reserves during 2015/16 (Restated)								
Total Comprehensive Income and Expenditure	(949)	(5,091)	0	0	0	(6,040)	(29,761)	(35,801)
Adjustments between accounting basis and funding basis under regulations (Note 10)	(545)	3,079	(1,551)	(1,112)	(881)	(1,010)	1,010	0
Other movements*	(148)	148	0	0	0	0	0	0
Increase/(Decrease) in 2015/16	(1,642)	(1,864)	(1,551)	(1,112)	(881)	(7,050)	(28,751)	(35,801)
Balance at 31 March 2016	(19,021)	(7,569)	(8,275)	(6,176)	(1,581)	(42,622)	(155,789)	(198,411)

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

Balance Sheet

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

31 March 2016 £000	Notes	31 March 2017 £000
229,031	Council Dwellings	247,284
78,849	Other Land and Buildings	96,917
5,748	Vehicles, Plant and Equipment	5,466
10,778	Infrastructure Assets	10,676
7,080	Community Assets	7,080
7,686	Assets Under Construction	3,215
339,172	Total Property, Plant and Equipment	370,638
141	Heritage Assets	141
3,808	Investment Property	4,303
641	Intangible Assets	752
11,078	Long-term Investments	10,838
1,074	Long-term Debtors	2,224
355,914	Long Term Assets	388,896
204	Currently Held for sale Investment Property	0
10,015	Short Term Investments	5,016
698	Assets Held for Sale	1,133
160	Inventories	139
9,520	Short Term Debtors	5,456
16,378	Cash and Cash Equivalents	20,189
36,975	Current Assets	31,933
(2,698)	Short Term Borrowing	(4,000)
(21,705)	Short Term Creditors	(16,325)
(2,080)	Provisions	(1,050)
(26,483)	Current Liabilities	(21,375)
(89,607)	Long Term Borrowing	(85,606)
(78,388)	Other Long Term Liabilities	(99,480)
(167,995)	Long Term Liabilities	(185,086)
198,411	Net Assets	214,368
42,622	Usable Reserves	46,398
155,789	Unusable reserves	167,970
198,411	Total Reserves	214,368

Cash Flow Statement

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

2015/16		Notes	2016/17
£000			£000
6,036	Net surplus or (deficit) on the provision of services		4,789
16,275	Adjustments to net surplus or deficit on the provision of services for non cash movements	25	14,961
(2,712)	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities	25	(6,470)
19,599	Net cash flows from Operating Activities		13,280
(26,901)	Investing Activities	26	(6,771)
0	Financing Activities	27	(2,698)
(7,302)	Net increase or decrease in cash and cash equivalents		3,811
23,680	Cash and cash equivalents at the beginning of the reporting period	19	16,378
16,378	Cash and cash equivalents at the end of the reporting period	19	20,189

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 2016/17 financial year and its position at the year-end on 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ('the Code'), supported by International Financial Reporting Standards (IFRS).

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

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

ii. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Cash and Cash Equivalents

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

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

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

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

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. Note 2 on page 34 provides details of the prior period adjustment for 2016/17.

v. Charges to Revenue for Non-Current Assets

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

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

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

The Council's adopted Minimum Revenue Provision (MRP) Policy is the Equal Instalment Method whereby MRP is linked to weighted asset life. This is considered to be a prudent approach as it takes into account the materiality of each asset and its remaining useful life.

vi. Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (ie the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference

between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

vii. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

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

Post Employment Benefits

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

The Local Government Pension Scheme

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

- The liabilities of the SCC pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of future earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.8% (based on the annualised yield at the 19 year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of IAS19 and with the consideration of the duration of the Employer's liabilities).
- The assets of the SCC pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.

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

Service cost comprising:

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

Remeasurements comprising:

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

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

In relation to retirement benefits, statutory provisions require the General Fund balance and Housing Revenue Account balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the

Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund and Housing Revenue Account of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

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 when the Statement of Accounts is authorised for issue. Two types of events can be identified:

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

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

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 are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective rate of interest is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and

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

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

Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

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

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

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

Available-for-Sale Assets

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

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

Assets are maintained in the Balance Sheet at fair value. Values are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

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, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

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

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

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

Community Infrastructure Levy

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

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

xi. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. 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.

xii. Leases

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

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

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

The Council as Lessee

Operating Leases

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

The Council as Lessor

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.

xiii. Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

xiv. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

- Dwellings – current value, determined using the existing use value for social housing (EUV-SH)
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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.

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

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

xv. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

xvi. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance or Housing Revenue Account balance. 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 transferred

back into the General Fund balance or Housing Revenue Account balance 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, local taxation, and retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

xvii. Revenue Expenditure Funded from Capital under Statute

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

xviii. 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.

xix. Fair Value Measurement

The Council measures some of its non-financial assets such as investment properties and some of its financial instruments such as Money Market Funds at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

- Level 3 – unobservable inputs for the asset or liability.

2. Prior Period Restatement

Comprehensive Income and Expenditure Statement

Expenditure on services and income relating to or derived from those services is classified in the Comprehensive Income and Expenditure Statement in accordance with the CIPFA Code of Local Authority Accounting in the UK. The 2016/17 Code requires that authorities present expenditure and income on services on the basis of its reportable segments. These reportable segments are based on the authority's internal management reporting structure. This is a change from the previous requirement to present expenditure and income in accordance with the Service Expenditure Code of Practice (SeRCOP). This note shows how the net expenditure and income has been restated.

SeRCOP Service line	Adjustments		As restated 2015/16 £000	Portfolio
	As reported in the Comprehensive Income and Expenditure Statement 2015/16 £000	between SeRCOP classifications and internal reporting classifications £000		
Net Expenditure				
Central Services to the Public	(17)	17	0	
	0	647	647	Community Leadership
	0	1,418	1,418	Corporate Resources
Cultural and Related Services	3,545	(3,545)	0	
	0	2,578	2,578	Economic Development, Asset Management and the Arts
Environmental and Regulatory Services	4,897	(390)	4,507	Environmental Services
	0	1,084	1,084	General Services
Highways and Transport Services	(2,791)	2,791	0	
Local Authority Housing (HRA)	(7,029)	0	(7,029)	Housing Revenue Account
Other Housing Services	1,377	192	1,569	Housing Services (General Fund only)
Planning Services	2,575	(2,575)	0	
	0	(1,904)	(1,904)	Planning, Transportations and Communications
	0	2,895	2,895	Sports, Parks and Leisure
Corporate and Democratic Core	3,059	(3,059)	0	
Non Distributed Costs	149	(149)	0	
Cost of Services	5,765	0	5,765	
Gross Expenditure				
Central Services to the Public	1,062	(1,062)	0	
	0	660	660	Community Leadership
	0	37,470	37,470	Corporate Resources
Cultural and Related Services	4,168	(4,168)	0	
	0	3,136	3,136	Economic Development, Asset Management and the Arts
Environmental and Regulatory Services	7,242	(355)	6,887	Environmental Services
	0	1,085	1,085	General Services
Highways and Transport Services	1,273	(1,273)	0	
Local Authority Housing (HRA)	20,332	180	20,512	Housing Revenue Account
Other Housing Services	33,693	(31,776)	1,917	Housing Services (General Fund only)
Planning Services	3,628	(3,628)	0	
	0	3,063	3,063	Planning, Transportations and Communications
	0	3,492	3,492	Sports, Parks and Leisure
Corporate and Democratic Core	4,912	(4,912)	0	
Non Distributed Costs	149	(149)	0	
Cost of Services	76,459	1,763	78,222	
Gross Income				
Central Services to the Public	(1,079)	1,079	0	
	0	(13)	(13)	Community Leadership
	0	(36,052)	(36,052)	Corporate Resources
Cultural and Related Services	(623)	623	0	
	0	(558)	(558)	Economic Development, Asset Management and the Arts
Environmental and Regulatory Services	(2,345)	(35)	(2,380)	Environmental Services
	0	(1)	(1)	General Services
Highways and Transport Services	(4,064)	4,064	0	
Local Authority Housing (HRA)	(27,361)	(180)	(27,541)	Housing Revenue Account
Other Housing Services	(32,316)	31,968	(348)	Housing Services (General Fund only)
Planning Services	(1,053)	1,053	0	
	0	(4,967)	(4,967)	Planning, Transportations and Communications
	0	(597)	(597)	Sports, Parks and Leisure
Corporate and Democratic Core	(1,853)	1,853	0	
Non Distributed Costs	0	0	0	
Cost of Services	(70,694)	(1,763)	(72,457)	

Note: When reviewing the analysis of income and expenditure codes that feed into the CIES under the new reporting structure, a number of income and expenditure codes that had been incorrectly coded in the 2015/16 comparatives were identified. This miscoding of the 2015/16 comparatives, which has resulted in an increase to gross expenditure and income of £1,763k but has no effect on net expenditure, has now been corrected.

Movement in Reserves Statement

The CIPFA Code of Local Authority Accounting in the UK 2016/17 requires the total General Fund Balance and total Housing Revenue Account Balance to be presented. In the past, it was recommended that Earmarked General Fund Reserves and Earmarked Housing Revenue Account Reserves be separately presented. The 2015/16 Movement in Reserves Statement has been restated for this change.

	General Fund Balance as previously stated	General Fund Earmarked Reserves as previously stated	General Fund Balance Restated	Housing Revenue Account as previously stated	Housing Revenue Account Earmarked Reserves as previously stated	Housing Revenue Account Balance restated
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2015	(2,114)	(15,265)	(17,379)	(3,483)	(2,222)	(5,705)
Movement in Reserves during 2015/16						
(Surplus) or Deficit on the provision of services	(949)	0	(949)	(5,091)	0	(5,091)
Total Comprehensive Income and Expenditure	(949)	0	(949)	(5,091)	0	(5,091)
Adjustments between accounting basis and funding basis under regulations	(545)	0	(545)	3,079	0	3,079
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(1,494)	0	(1,494)	(2,012)	0	(2,012)
Transfers to/(from) Earmarked Reserves	1,643	(1,643)	0	2,673	(2,673)	0
Other movements*	(148)	0	(148)	148	0	148
Increase / (Decrease) in 2015/16	1	(1,643)	(1,642)	809	(2,673)	(1,864)
Balance at 31 March 2016	(2,113)	(16,908)	(19,021)	(2,674)	(4,895)	(7,569)

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

The only accounting standards which will be introduced in the 2017/18 Code relate to Pension Scheme accounts so there are no new standards to be adopted by this Council.

4. Critical Judgements in Applying Accounting Policies

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

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

- The Council is a key partner in Firepool development which is one of the largest mixed use regeneration schemes in the south-west and one of the first key areas for "Project Taunton", a town-wide regeneration initiative which recognises the opportunity for the Council to be a lead partner providing further contributions to the continued growth and prosperity of Taunton. The Council has capitalised the costs of the project so far, which are mainly to do with the necessary planning, land and property acquisition and preparation for such a high-profile asset creation.
- There continues to be a high degree of uncertainty about future levels of funding for local government. The Council has therefore put significant senior management and transactional resources into identifying opportunities for both reducing costs and improving performance. While it is possible that funding uncertainty might impair the Council's assets, for example by requiring the closure of specialist facilities currently valued in the Balance Sheet as operational assets, at this stage the Council has determined that this uncertainty is not yet sufficient to indicate any impairment may become necessary.
- The Council currently uses the Major Repairs Allowance (MRA) as a proxy for depreciation. This is a DCLG assessment of the cost of maintaining our Council Dwellings, therefore the Council believes it to be a reliable estimate. There is a five year transition period in place and the Council intends to review this basis within this period which ends in 2016/17.

- A Business Rates provision has been made in the accounts for £0.934m. The Council has put in its best estimate of the expenditure required to settle the present obligation based on the appeals put in by ratepayers.

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

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

The items in the Council's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Significant Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment (PPE)	<p>PPE assets are depreciated over useful lives that are chosen based on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. If the working lives change significantly as a result of the Council's review of its services then those useful lives may lengthen or shorten.</p>	<p>Depreciation is calculated to spread the cost of an asset over its estimated working life. If the working life is reduced, depreciation goes up and carrying-value goes down; if the working life is extended, depreciation goes down and so carrying value goes up. For example, with vehicles costing approximately £1.4 million and an average working life of around five years, extending the life by 1 year would reduce annual depreciation by £47k.</p>
	<p>The carrying values of assets such as council houses depend very much on outside factors; for example, the significant revaluation in 2016/17 is 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. The discount factor for the south-west in 2015/16 was 31%; in 2016/17 it is 35%.</p>	<p>With council housing having a balance-sheet value of around £247m, each 1% change in the social housing discount factor moves the valuation up or down by £2.5m 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 pension liability and its underlying data is therefore very much a carefully-reasoned estimate of the most likely combination of factors, but by its very nature is significantly uncertain.</p>	<p>The effects on the net pension liability of many changes in individual assumptions can be measured. For example, if the discount rate were to change by plus or minus 0.1% from its assumed 2.8%, then the projected service cost would be between £5.198m to £5.468m. A similar change of 1 year in the mortality age range assumption means the projected service cost could be from £5.166m to £5.501m.</p>
Business Rates Appeals Provision	<p>Estimates have been made for the provision for refunding ratepayers who have successfully appealed against the rateable value of their properties. This includes the current and previous financial years. The estimate is based on those ratepayers who have appealed.</p>	<p>There is uncertainty and risk surrounding the calculation of the provision as future events may affect the amount required to settle an obligation.</p>
Arrears	<p>At 31 March 2017 the Council had a balance of Council Tax debtors of £4.8m, an increase of £0.8m over the previous year; this level of debtor is to be expected when collecting Council Tax of around £62m each year. The Council has made an impairment provision within the collection fund of £2.5m 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 nearly £62m this year from approximately 49,000 households, a 0.1% change in the collection rate changes the amount collected by around £62k in a full year (the Council's risk would be 11% of this amount). The Council's collection rate for 2016/17 was 99%.</p>

6. Material Items of Income and Expense

During the year, there have been 44 sales of Council dwellings to Council tenants; this has resulted in a gain shown in the Comprehensive Income and Expenditure Statement of £1.488m. In addition the Council's former DLO Depot was sold resulting in a gain shown in the Comprehensive Income and Expenditure Statement of £1.323m.

7. Events After the Balance Sheet Date

There have been no events after the balance sheet date of 31 March 2017 that require the financial statements or notes to be adjusted for 2016/17.

8. Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the Authority (ie government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the council's portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2015/16			2016/17		
Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000	Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
646	1	647	634	40	674
834	584	1,418	1,725	2,066	3,791
2,513	65	2,578	2,386	425	2,811
4,029	478	4,507	3,948	407	4,355
1,080	4	1,084	1,260	(523)	737
(14,028)	6,999	(7,029)	(13,859)	6,827	(7,032)
1,382	187	1,569	2,170	520	2,690
(2,094)	190	(1,904)	(2,549)	200	(2,349)
2,175	720	2,895	2,251	2,404	4,655
(3,463)	9,228	5,765	(2,034)	12,366	10,332
(43)	(11,762)	(11,805)	(976)	(14,145)	(15,121)
(3,506)	(2,534)	(6,040)	(3,010)	(1,779)	(4,789)
(23,084)			(26,590)		
(3,506)			(3,010)		
(26,590)			(29,600)		

*For a split of this balance between the General Fund and the HRA - see the Movement in Reserves Statement

Notes to Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for	Net Change for	Other	Total
	Capital	Pensions	Differences	Adjustments
	Purposes	Adjustments		
	Note 1	Note 2	Note 3	
	£000	£000	£000	£000
2016/17				
Community Leadership	40	0	0	40
Corporate Resources	1,880	110	76	2,066
Economic Development, Asset Management and the Arts	395	31	(1)	425
Environmental Services	381	33	(7)	407
General Services	3	(526)	0	(523)
Housing Revenue Account	6,688	63	76	6,827
Housing Services (General Fund only)	472	30	18	520
Planning, Transportations and Communications	129	37	34	200
Sports, Parks and Leisure	2,393	11	0	2,404
Net Cost of Services	12,381	(211)	196	12,366
Other Income and Expenditure from the Expenditure and Funding Analysis	(16,494)	3,039	(690)	(14,145)
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(4,113)	2,828	(494)	(1,779)
2015/16				
Community Leadership	1	0	0	1
Corporate Resources	277	242	65	584
Economic Development, Asset Management and the Arts	6	54	5	65
Environmental Services	378	108	(8)	478
General Services	3	1	0	4
Housing Revenue Account	6,811	208	(20)	6,999
Housing Services (General Fund only)	120	85	(18)	187
Planning, Transportations and Communications	83	121	(14)	190
Sports, Parks and Leisure	684	31	5	720
Net Cost of Services	8,363	850	15	9,228
Other Income and Expenditure from the Expenditure and Funding Analysis	(13,182)	3,290	(1,870)	(11,762)
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(4,819)	4,140	(1,855)	(2,534)

Note 1

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Note 2

Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income:

- **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- **For Financing and investment income and expenditure** -- the net interest on the defined benefit liability is charged to the CIES.

Note 3

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- **For Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under **Taxation and non-specific grant income** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Segmental Income

Fees, charges and other service income received on a segmental basis is analysed below:

2015/16	2016/17
£000	£000
(13) Community Leadership	(6)
(3,565) Corporate Resources	(3,343)
(503) Economic Development, Asset Management and the Arts	(543)
(2,380) Environmental Services	(2,622)
(149) General Services	(84)
(27,492) Housing Revenue Account	(27,450)
(318) Housing Services (General Fund only)	(335)
(4,650) Planning, Transportations and Communications	(5,081)
(597) Sports, Parks and Leisure	(475)
Total Fees, Charges and Other Service Income Analysed on a	
(39,667) Segmental Basis	(39,939)
(6,096) Trading Operations	(5,796)
(45,763) Total Fees, Charges and Other Service Income	(45,735)

9. Expenditure and Income Analysed by Nature

2015/16 £000		2016/17 £000
	Expenditure	
20,688	Employee Benefits Expenses	21,339
55,173	Other Services Expenses	54,079
	Depreciation, Amortisation, Impairment and Revenue Expenditure	
8,650	funded from Capital under Statute	12,980
(623)	Gain on the Disposal of Assets	(2,816)
5,583	Interest Payments	5,409
571	Precepts and Levies	666
388	Payments to Housing Capital Receipts Pool	385
90,430	Total Expenditure	92,042
	Income	
(45,763)	Fees, Charges and Other Service Income	(45,735)
(9,964)	Income from Council Tax, Non-Domestic Rates, District Rate Income	(9,923)
(39,830)	Government Grants and Contributions	(39,931)
	Income and Expenditure in relation to investment properties and	
(486)	changes in their fair value	(784)
(427)	Interest and Investment Income	(458)
(96,470)	Total Income	(96,831)
(6,040)	(Surplus) or Deficit on the Provision of Services	(4,789)

10. Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

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

General Fund Balance

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

Housing Revenue Account Balance

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

Major Repairs Reserve

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

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

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000
2016/17					
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements					
Pension costs (transferred to or from the Pensions Reserve)	2,299	529	0	0	0
Council Tax and NNDR (transfers to or from the Collection Fund)	(652)	0	0	0	0
Holiday Pay (transferred to or from the Accumulated Absences Account)	81	78	0	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	5,176	8,712	0	0	1,414
Total Adjustment to Revenue Resources	6,904	9,319	0	0	1,414
Adjustment between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(2,649)	(3,568)	6,217	0	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	57	(57)	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	385	0	(385)	0	0
Posting of HRA resources from revenue to the Major Repairs Reserve	0	(6,956)	0	6,956	0
Statutory provision for the repayment of debt (transfer from the capital adjustment account)	(180)	(1,007)	(253)	0	0
Capital expenditure financed from revenue balances	(3,289)	(794)	0	0	0
Total Adjustments between Revenue and Capital Resources	(5,733)	(12,268)	5,522	6,956	0
Adjustments to Capital Resources					
Use of the Capital Receipts reserve to finance capital expenditure	0	0	(4,711)	0	0
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	(8,541)	0
Application of capital grants to finance capital expenditure	0	0	0	0	(128)
Deferred Debtors repaid	0	0	253	0	0
Total Adjustments to Capital Resources	0	0	(4,458)	(8,541)	(128)
Total Adjustments 2016/17	1,171	(2,949)	1,064	(1,585)	1,286
2015/16 Comparative Year					
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements					
Pension costs (transferred to or from the Pensions Reserve)	3,583	558	0	0	0
Council Tax and NNDR (transfers to or from the Collection Fund)	(1,762)	0	0	0	0
Holiday Pay (transferred to or from the Accumulated Absences Account)	(73)	(20)	0	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	1,399	8,333	0	0	1,159
Total Adjustment to Revenue Resources	3,147	8,871	0	0	1,159
Adjustment between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(485)	(2,666)	3,151	0	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	49	(49)	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	388	0	(388)	0	0
Posting of HRA resources from revenue to the Major Repairs Reserve	0	(6,674)	0	6,674	0
Statutory provision for the repayment of debt (transfer from the capital adjustment account)	(180)	(893)	(246)	0	0
Capital expenditure financed from revenue balances	(2,325)	(1,766)	0	0	0
Total Adjustments between Revenue and Capital Resources	(2,602)	(11,950)	2,468	6,674	0
Adjustments to Capital Resources					
Use of the Capital Receipts reserve to finance capital expenditure	0	0	(1,163)	0	0
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	(5,562)	0
Application of capital grants to finance capital expenditure	0	0	0	0	(278)
Deferred Debtors repaid	0	0	246	0	0
Total Adjustments to Capital Resources	0	0	(917)	(5,562)	(278)
Total Adjustments 2015/16	545	(3,079)	1,551	1,112	881

11. Movements in Earmarked Reserves

The table below shows the amounts set aside from the General Fund and HRA balances in capital or revenue earmarked reserves to provide financing for future expenditure plans. It also shows the movement in each major earmarked reserve where amounts have either been posted to the reserve or back to meet General Fund and HRA expenditure in 2016/17. Reserves indicated with an asterisk (*) are held for capital purposes.

Earmarked Reserves	Balance at 31/03/2015 £000	Transfers Out £000	Transfers In £000	Balance at 31/03/2016 £000	Transfers Out £000	Transfers In £000	Balance at 31/03/2017 £000
General Fund							
Asset Management - General	249	(49)	89	289	0	0	289
Asset Management - Leisure	418	(575)	380	223	(59)	33	197
Back Office Project Costs	0	0	933	933	(447)	13	499
Business Rates Smoothing Reserve	1,970	(681)	719	2,008	(185)	114	1,937
Capital Financing Reserve *	3,553	(2,060)	1,596	3,089	(2,525)	225	789
Carry Forwards	765	(765)	699	699	(709)	439	429
CEO Initiatives	93	(15)	0	78	0	25	103
Creating a New Council	0	0	0	0	(25)	2,004	1,979
Customer Access & Accommodation Project	215	(95)	0	120	(95)	1,643	1,668
DLO Trading Account	314	(22)	73	365	(244)	0	121
DLO Vehicle Replacement Reserve *	341	(25)	0	316	0	0	316
Eco Towns Projects	142	0	162	304	(66)	0	238
Economic Development & Growth Initiatives	0	0	315	315	0	0	315
Garden Village	0	0	0	0	0	512	512
Growth & Regeneration Service Costs	301	(214)	1	88	(89)	1	0
Homelessness Grant	149	0	15	164	0	0	164
Housing Enabling	178	0	7	185	0	8	193
JM & SS Project EMR	898	(672)	0	226	(271)	69	24
Local Plan Enquiry	189	(74)	23	138	(63)	22	97
Monkton Heathfield EMR	516	0	173	689	(132)	0	557
New Homes Bonus Reserve	2,442	(764)	2,484	4,162	(3,422)	3,491	4,231
Performance & Client Consultancy	195	(277)	174	92	(69)	40	63
Planning Delivery Grant	127	(25)	0	102	(25)	0	77
Resources Service Costs	294	(236)	311	369	(318)	138	189
SAP Replacement *	0	0	320	320	0	0	320
Self Insurance Fund	500	(15)	0	485	0	0	485
Specialised Planning Legislation	165	(5)	0	160	(88)	0	72
Other Earmarked Reserves	1,251	(524)	262	989	(529)	1,020	1,480
Total General Fund	15,265	(7,093)	8,736	16,908	(9,361)	9,797	17,344

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Earmarked Reserves	Balance at 31/03/2015 £000	Transfers Out £000	Transfers In £000	Balance at 31/03/2016 £000	Transfers Out £000	Transfers In £000	Balance at 31/03/2017 £000
Housing Revenue Account (HRA)							
HRA Back Office Project	0	0	150	150	(150)	0	0
HRA Capital Financing Reserve *	79	0	0	79	0	0	79
HRA Carry Forwards	248	(235)	328	341	0	456	797
HRA Community Development Fund	425	(219)	0	206	0	0	206
HRA Customer Access & Accommodation Project	54	(18)	0	36	(11)	0	25
HRA Electrical Testing	700	0	607	1,307	0	663	1,970
HRA Employment & Skills	0	0	138	138	0	0	138
HRA Halcon Reserve	24	0	0	24	0	0	24
HRA Letting Contingency	0	0	97	97	(23)	0	74
HRA One Teams	0	0	257	257	0	0	257
HRA Planned External Maintenance	474	0	674	1,148	0	0	1,148
HRA Pre Void & Tenant	0	0	139	139	(45)	0	94
HRA Potential Bad Debts	0	0	434	434	0	0	434
HRA SAP Replacement *	0	0	105	105	0	0	105
HRA Self Insurance Fund	86	0	45	131	0	42	173
HRA Social Housing Development Fund	112	(823)	1,000	289	0	1,000	1,289
Other HRA Earmarked Reserves	20	(7)	1	14	0	20	34
Total HRA	2,222	(1,302)	3,975	4,895	(229)	2,181	6,847

Included in the reserves above is the Council's Self Insurance Fund. This is a sum of £656k which is set aside for self-insurance in respect of property risks. The Stop Loss insurance policy for Council Dwellings has excesses of £50,000 per property and up to £250,000 per year.

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

- Business Rates Smoothing Reserve – to smooth the effect of successful Business Rates appeals
- Creating a New Council Reserve - to provide funding towards the potential cost of a new Council
- Customer Access & Accommodation Reserve – to provide funding towards the refurbishment of the Council's main office
- New Homes Bonus Reserve - to receive and distribute the New Homes Bonus Grant
- HRA Electrical Testing – to provide funding towards the HRA Electrical Testing Contracts
- HRA Planned External Maintenance – to provide funding towards the HRA Planned External Maintenance Contracts
- HRA Social Housing Development Fund – to provide funding towards Social Housing Development

12. Other Operating Expenditure

The note below details what is included in the 'Other Operating Expenditure' line in the Comprehensive Income and Expenditure Statement.

2015/16 £000	2016/17 £000
571 Parish Council precepts	666
388 Payments to the Government Housing Capital Receipts Pool	385
52 Pension Administration Costs	61
<u>(623) (Gains)/Losses on the disposal of non-current assets</u>	<u>(2,816)</u>
<u>388 Total</u>	<u>(1,704)</u>

13. 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.

2015/16 £000	2016/17 £000
101 Trading account (surpluses) and deficits	55
2,587 Interest payable and similar charges	2,581
2,996 Net interest on the defined liability (asset)	2,828
(427) Interest receivable and similar income	(458)
Income and Expenditure in relation to investment properties and changes (486) in their fair value	(784)
<u>4,771 Total</u>	<u>4,222</u>

14. Taxation and Non Specific Grant Income

The note below details what is included in the 'Taxation and Non-Specific Grant Income' line in the Comprehensive Income and Expenditure Statement.

2015/16 £000	2016/17 £000
(6,005) Council tax income	(6,627)
(3,959) Non domestic rates income and expenditure	(3,296)
(5,199) Non-ringfenced Government grants	(5,163)
<u>(1,801) Capital grants and contributions</u>	<u>(2,553)</u>
<u>(16,964) Total</u>	<u>(17,639)</u>

More details of grants the Council has received can be found in Note 35 Grant Income.

15. 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.

Movement in 2016/17	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets under Construction £000	Total £000
Cost or Valuation							
At 1 April 2016	229,031	80,223	10,725	12,399	7,157	7,686	347,221
Additions	10,757	211	678	127	0	5,344	17,117
Revaluation increases / (decreases) recognised in the Revaluation reserve	9,954	11,374	0	0	0	0	21,328
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(3,055)	0	0	0	0	(3,055)
Derecognition - Disposals	(1,576)	(1,368)	0	0	0	0	(2,944)
Assets reclassified within Property, Plant & Equipment	0	9,815	0	0	0	(9,815)	0
Assets reclassified (to)/from Investment Properties	0	80	0	0	0	0	80
Assets reclassified (to)/from Held for Sale	(882)	0	0	0	0	0	(882)
At 31 March 2017	247,284	97,280	11,403	12,526	7,157	3,215	378,865
Accumulated Depreciation and Impairment							
At 1 April 2016	0	(1,374)	(4,977)	(1,621)	(77)	0	(8,049)
Depreciation charge	(6,244)	(897)	(960)	(229)	0	0	(8,330)
Depreciation written out to the Revaluation Reserve	6,244	1,773	0	0	0	0	8,017
Depreciation written out to the Surplus / Deficit on the Provision of Services	0	89	0	0	0	0	89
Derecognition - Disposals	0	46	0	0	0	0	46
At 31 March 2017	0	(363)	(5,937)	(1,850)	(77)	0	(8,227)
Net Book Value							
As at 31 March 2017	247,284	96,917	5,466	10,676	7,080	3,215	370,638

Comparative Movement 2015/16	Council Dwellings £000	Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total £000
Cost or Valuation							
At 1 April 2015	217,754	77,811	10,285	11,713	7,467	3,140	328,170
Additions	11,197	100	675	0	78	5,254	17,304
Revaluation increases / (decreases) recognised in the Revaluation reserve	1,570	2,820	0	0	0	0	4,390
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(557)	0	0	0	0	(557)
Derecognition - Disposals	(1,087)	(386)	(247)	0	0	(10)	(1,730)
Derecognition - Other	(66)	0	0	0	0	0	(66)
Assets reclassified within Property, Plant & Equipment	0	388	12	686	(388)	(698)	0
Assets reclassified (to)/from Investment Properties	0	47	0	0	0	0	47
Assets reclassified (to)/from Held for Sale	(337)	0	0	0	0	0	(337)
At 31 March 2016	229,031	80,223	10,725	12,399	7,157	7,686	347,221
Accumulated Depreciation and Impairment							
At 1 April 2015	0	(1,577)	(4,347)	(1,457)	(336)	0	(7,717)
Depreciation charge	(6,263)	(865)	(877)	(164)	0		(8,169)
Depreciation written out to the Revaluation Reserve	6,263	1,055	0	0	0	0	7,318
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	258	0	0	0	0	258
Derecognition - Disposals	0	14	247	0	0	0	261
Assets reclassified within Property, Plant and Equipment	0	(259)	0	0	259	0	0
At 31 March 2016	0	(1,374)	(4,977)	(1,621)	(77)	0	(8,049)
Net Book Value							
As at 31 March 2016	229,031	78,849	5,748	10,778	7,080	7,686	339,172

Depreciation

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

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

Capital Commitments

The major commitments on the Council's Housing Revenue Account and General Fund Capital Programme in 2016/17 are shown below.

General Fund

The Council has entered into a contract for Blackbrook Pool which was completed in 2016/17. Remaining commitments on this contract are approximately £153k.

The Council has entered into several small contracts for the refurbishment of the offices at Deane House totalling £670k. Contracts for the remainder of the refurbishment works are due to be signed in September 2017.

Similar commitments as at 31 March 2016 on other General Fund Projects were approximately £2.0m in total.

Housing Revenue Account

At 31 March 2017 the Council has entered into a number of contracts to maintain the Housing Stock in 2017/18. The commitments are: Meeting Halls £36k, Door Entry £67k and Soffits and Fascias £253k.

Similar commitments at 31 March 2016 on Housing Revenue Account contracts were £15,387k.

Revaluations

The Council normally carries out a rolling programme of asset valuations to ensure that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. However, in 2016/17 the Council undertook a full valuation of all General Fund land and buildings and Housing Revenue Account (HRA) beacon properties. In 2017/18 the Council will revert to a rolling programme of revaluations.

All valuations have been carried out by TDA, the trading name of Torbay Economic Development Company Ltd (TEDCL), who are in turn a company controlled by Torbay Council. 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:

- All properties have been valued as free from borrowings and encumbrances.
- The Valuer has not undertaken structural surveys of the properties, independent site investigations, tested services, nor exposed parts of the structure which were covered, unexposed or inaccessible.
- The Valuer has assumed inspection of those parts which have not been inspected would not cause the Valuer to alter his opinion of value. Nevertheless the Valuer has had regard to the age, use and general condition of the building when determining his opinion of the value.
- It is assumed that no high alumina cement, concrete or calcium chloride addition or other potentially deleterious material has been used in the construction of the properties and that none have subsequently been incorporated.
- The Valuer has assumed, unless advised to the contrary and confirmed in the Valuation report, that all properties and their values are unaffected by contamination and other environmental issues.
- The Valuer has not made enquires as to whether the properties meet statutory requirements regarding such matters as licences, fire precautions, public environmental health, health and safety at work and building regulations legislation, The Valuer has assumed that all properties comply with these various requirements.
- It is assumed that the Council will in the future maintain its property portfolio to a reasonable standard.
- Details of tenures have been derived from the tenancy schedules provided to the Valuer. For avoidance of doubt the Valuer has assumed these are accurate and up to date. The Valuer has

not undertaken any inspection of title deeds. The properties have been valued on the basis that they are not subject to any unusual or onerous restrictions, encumbrances or outgoing and that good title can be shown. It is assumed that all properties have the necessary planning consents and certificates for use and construction and are not being used in breach of any covenants.

- Where a market value relies on an alternative planning use, this use has been derived from planning policies in consultation with the Council's Planning Service.
- All data provided by the Council used in the valuations is assumed to be correct.
- These valuations do not take into account Value Added Tax or any other taxes.

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

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Total £000
Valued at Historic Cost	0	0	11,403	11,403
Valued at:				
01 April 2011	23	0	0	23
01 April 2012	0	2,844	0	2,844
01 April 2013	0	150	0	150
01 April 2014	0	13,647	0	13,647
01 April 2015	0	1,703	0	1,703
31 March 2017	247,261	78,936	0	326,197
Total	247,284	97,280	11,403	355,967

16. Investment Property

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

2015/16 £000	2016/17 £000
412 Rental income from investment property	413
116 (Gains)/losses on the disposal of investment property	0
(42) Net gains/(losses) from fair value adjustments	371
486 Total	784

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

2015/16 £000	2016/17 £000
3,897 Balance at start of the year	3,808
(42) Net gains/losses from fair value adjustments	371
Transfers:	
0 (To)/from Investment Property Held for Sale	204
(47) (To)/from Property, Plant & Equipment	(80)
3,808 Balance at end of the year	4,303

Fair Value Measurement of Investment Property

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

2015/16 £000	Significant Unobservable Inputs (Level 3)	2016/17 £000
1,621	Commercial Buildings	1,673
2,187	Commercial Land	2,630
3,808	Investment Property	4,303

Significant Unobservable Inputs – Level 3

The commercial land and buildings located in the Council's area are measured using the income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream. The approach has been developed using the Authority's own data requiring it to factor in assumptions such as the duration and timing of cash inflows and outflows, rent growth, occupancy levels, bad debt levels, maintenance costs, etc.

The Council's commercial land and buildings are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

Highest and Best Use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

17. Financial Instruments

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

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

Financial Liabilities

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

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

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

Financial Assets

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

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

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

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

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

Financial Instruments - Balances

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

31 March 2016			31 March 2017	
Long Term	Short Term	Financial Liabilities	Long Term	Short Term
£000	£000		£000	£000
Loans at amortised cost:				
89,500	2,698	Principal sum borrowed	85,500	4,000
107	0	Accrued interest	106	0
89,607	2,698	Total Borrowing	85,606	4,000
Liabilities at amortised cost:				
0	5,535	Trade payables	0	2,407
0	5,535	Included in Creditors	0	2,407
89,607	8,233	Total Financial Liabilities	85,606	6,407

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

31 March 2016			31 March 2017		
Long Term	Short Term	Financial Assets	Long Term	Short Term	
£000	£000		£000	£000	
Loans and receivables:					
3	10,000	Principal at amortised cost	3	5,000	
0	15	Accrued interest	0	16	
Available-for-sale investments:					
11,075	0	Cash equivalents at amortised cost	10,835	0	
0	0	Accrued interest	0	0	
11,078	10,015	Total Investments	10,838	5,016	
Loans and receivables:					
0	1,061	Cash	0	(1,547)	
0	4,000	Cash equivalents at amortised cost	0	5,800	
0	2	Accrued interest	0	1	
Available-for-sale investments:					
0	11,250	Cash equivalents at amortised cost	0	15,850	
0	65	Accrued interest	0	85	
0	16,378	Total Cash and Cash Equivalents	0	20,189	
Loans and receivables:					
133	1,854	Trade receivables	154	1,474	
941	131	Loans made for service purposes	2,070	349	
1,074	1,985	Included in Debtors	2,224	1,823	
12,152	28,378	Total Financial Assets	13,062	27,028	

£2,419k of loans made for service purposes at 31 March 2017 meet the definition of capital expenditure in the Capital Finance Regulations.

Soft Loans

Soft loans are those advanced at below market rates in support of the Council's service priorities. The Council has no material outstanding soft loans and has made no material soft loans in 2016/17.

Financial Instruments – Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consists of the following items shown in the table below: Surplus on revaluation of Available-for-Sale Financial assets

Income, Expense, Gains and Losses

2015/16				2016/17			
Liabilities measured at amortised cost	Loans and Receivables	Available-for-sale Assets	Total	Liabilities measured at amortised cost	Loans and Receivables	Available-for-sale Assets	Total
£000	£000	£000	£000	£000	£000	£000	£000
2,588	0	0	2,588	2,581	0	0	2,581
Total interest expense in Surplus or Deficit on the Provision of Services				Total interest income in Surplus or Deficit on the Provision of Services			
0	(112)	(315)	(427)	0	(139)	(319)	(458)
Surplus on revaluation of Available-for-Sale Financial assets				Surplus on revaluation of Available-for-Sale Financial assets			
0	0	(33)	(33)	0	0	(86)	(86)

Fair Values of Financial Assets

Some of the Council's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Fair values are shown in the tables below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

31 March 2016	Recurring Fair Value	Input Level In	Valuation Technique	31 March 2017
£000	Measurements	Fair Value Hierarchy	Used to Measure Fair Value	£000
	Available for sale			
	Covered Bonds Issued by UK and Overseas Banks and Building Societies	Level 1	Unadjusted quoted prices in active markets for identical shares	
11,075				10,835
11,075				10,835

Changes in the Valuation Technique

There has been no change in the valuation techniques used during the year for financial instruments.

The Fair Values of Financial Assets and Liabilities that are not measured at Fair Value (but for which Fair Value Disclosures are required)

Except for the financial assets carried at fair value (described in the table above), all other long term financial liabilities and financial assets held by the Council are classified as loans and receivables and long term debtors and are carried in the Balance Sheet at amortised cost. The fair values are calculated as follows:

31 March 2016		Financial Liabilities	31 March 2017	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
92,305	102,824	Long and Short Term Borrowing	89,606	105,715

The fair value of the financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the interest rate on similar loans is now higher than the current rates available for similar loans at the Balance Sheet date.

31 March 2016		Financial Assets	31 March 2017	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
1,072	1,199	Long and Short Term Loans made for Service Purposes	2,419	2,615

The fair value of the financial assets held at amortised cost is higher than their balance sheet carrying amount because the interest rate on similar investments is now lower than that obtained when the investment was originally made.

Short term loans and receivables, available-for-sale assets, debtors and creditors are carried at cost as this is a fair approximation of their value.

Fair Value Hierarchy for Financial Assets and Financial Liabilities that are not measured at Fair Value

31 March 2016		Recurring fair value measurements using:	31 March 2017	
Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000		Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000
		Financial Liabilities		
0	102,824	Long and Short Term Borrowing	0	105,715
		Financial Assets		
0	1,199	Long and Short Term Loans made for Service Purposes	0	2,615

The fair values for Financial Assets and Financial Liabilities that are not measured at fair value have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2017, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans. In

accordance with advice from the Council's Treasury advisers an alternative market rate has been used for PWLB loans rather than the rate published by PWLB.

- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.
- No early repayment or impairment is recognised for any financial instrument.

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:

31 March 2016 £000	31 March 2017 £000
2,675 Central Government bodies	295
2,981 Other local authorities	1,175
38 NHS bodies	36
3,826 Other entities and individuals	3,950
9,520 Total	5,456

The above figures include Trade Receivables of £1.474m (2016 £1.854m) which are classified as Financial Instruments and included in the analysis in Note 19 above.

Long term Debtors:

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

31 March 2016 £000	31 March 2017 £000
62 Sundry Mortgages	59
10 Car/Bike Loans to Employees	11
64 Tone Leisure Loan	0
877 Somerset CCC Loan	810
0 Somerset Waste Partnership Loan	1,216
0 COACH Loan	44
61 Trade Debtors	84
1,074 Total	2,224

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 Accounting Policies.

31 March 2016 £000	31 March 2017 £000
6 Cash held by the Council	11
1,055 Bank current accounts	(1,558)
4,002 Call Accounts	5,801
7,062 Bond Funds	7,083
4,253 Money Market Funds	8,852
16,378 Total Cash and Cash Equivalents	20,189

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 the lower of carrying value and fair value less costs to sell. The maximum amount at which an asset is carried is the amount at which it was initially recognised as Held for Sale. All valuations were carried out in accordance with standards set out by the Royal Institution of Chartered Surveyors (RICS).

Current 2015/16 £000	Current 2016/17 £000
849 Balance outstanding at start of the year	698
Assets newly classified as held for sale:	
337 Property, Plant and Equipment	882
Assets declassified as held for sale:	
(488) Assets sold	(447)
698 Balance outstanding at year end	1,133

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.

31 March 2016 £000		31 March 2017 £000
3,869	Central Government bodies	1,047
3,578	Other local authorities	3,883
2	Public corporations and trading funds	0
14,256	Other entities and individuals	11,395
21,705	Total	16,325

The above figures include Trade Payables of £2.407m (2016 £5.535m) which are classified as Financial Instruments and included in the analysis in Note 19 above.

22. Provisions

2015/16				2016/17		
NDR Appeals £000	Other Provisions £000	Total £000		NDR Appeals £000	Other Provisions £000	Total £000
2,936	150	3,086	Balance at start of year	1,920	160	2,080
0	113	113	Additional provisions made in year	0	0	0
(540)	(103)	(643)	Amounts used in year	(749)	(44)	(793)
(476)	0	(476)	Unused amounts reversed in year	(237)	0	(237)
1,920	160	2,080	Balance at year-end	934	116	1,050

Business Rates Appeals

The Local Government Finance Act 2012 introduced changes to the accounting arrangements for Business Rates. These changes require the Council to put in a provision for appeals for refunding ratepayers who have appealed against the rateable value of their properties on the rating list. The Council has to put in its best estimate of the expenditure required to settle the present obligation which totals £2.336m in respect of the Business Rates Collection Fund. There has not been any significant increase in the number of appeals during 2016/17 but the Council continues to take a prudent approach to evaluating the risk.

Other Provisions

These comprise £19k in respect of the Deposit Protection Scheme run by the Council to enable tenants to obtain private sector rented accommodation, £77k in respect of a probable obligation to refund Personal Search Fees and £20k in respect of a potential insurance claim relating to an employee's mesothelioma following exposure to asbestos.

23. Usable Reserves

The table below details the Council's usable reserves which can be applied to fund expenditure or reduce local taxation.

31 March 2016 £000		31 March 2017 £000
2,113	General Fund Balance	2,186
16,908	General Fund Earmarked Reserves	17,344
2,675	Housing Revenue Account Balance	3,244
4,895	Housing Revenue Account Earmarked Reserves	6,846
8,274	Capital Receipts Reserve	9,339
6,176	Major Repairs Reserve	4,591
1,581	Capital Grants Unapplied Account	2,867
42,622	Total Usable Reserves	46,417

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.

31 March 2016 £000		31 March 2017 £000
46,294	Revaluation Reserve	74,612
188,760	Capital Adjustment Account	193,135
(78,388)	Pensions Reserve	(99,480)
(584)	Collection Fund Adjustment Account	68
(326)	Accumulated Absences Account	(484)
33	Available-for-sale Financial Instruments Reserve	119
155,789	Total Unusable Reserves	167,970

Revaluation Reserve

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

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

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

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

2015/16 £000		2016/17 £000
35,003	Balance as at 1 April	46,294
11,734	Upward revaluation of assets	31,269
	Downward revaluation of assets and impairment losses not	
(27)	charged to the Surplus/Deficit on the Provision of Services	(1,924)
	Surplus or deficit on revaluation of non-current assets not posted	
11,707	to the Surplus/Deficit on the Provision of Services	29,345
(326)	Difference between fair value depreciation and historical cost	(368)
(90)	Accumulated gains on assets sold or scrapped	(659)
	(416) Amount written off to the Capital Adjustment Account	(1,027)
46,294	Balance as at 31 March	74,612

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 10 – 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.

2015/16 £000		2016/17 £000
187,069	Balance as at 1 April	188,760
	<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</i>	
(8,170)	Charges for Depreciation and impairment of non current assets	(8,331)
(299)	Revaluation losses on Property, Plant and Equipment	(2,965)
(164)	Amortisation of intangible assets	(190)
(494)	Revenue expenditure funded from capital under statute	(1,984)
(2,363)	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,344)
(11,490)		(16,814)
416	Adjusting amounts written out of the Revaluation Reserve	1,029
(11,074)	Net written out amount of the cost of non current assets consumed in the year	(15,785)
	<i>Capital financing applied in the year:</i>	
1,162	Use of the Capital Receipts Reserve to finance new capital	4,711
5,562	Use of Major Repairs Reserve to finance new capital expenditure	8,541
642	Capital grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital	1,141
278	Application of grants to capital financing from the Capital Grants Unapplied Account	128
1,319	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	1,439
4,091	Capital expenditure charged against the General Fund and HRA balances	4,083
13,054		20,043
(42)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	371
(247)	Deferred Debtors repaid	(254)
188,760	Balance as at 31 March	193,135

Pensions Reserve

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

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

2015/16 £000		2016/17 £000
(92,268)	Balance as at 1 April	(78,388)
18,021	Remeasurement of the net defined benefit liability/(assets)	(18,264)
	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the	
(7,099)	Comprehensive Income and Expenditure Statement	(6,019)
	Employer's pension contributions and direct payments to pensioners	
2,958	payable in the year	3,191
(78,388)	Balance as at 31 March	(99,480)

Collection Fund Adjustment Account

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

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

2015/16			2016/17		
Council Tax £000	Business Rates £000	Total £000	Council Tax £000	Business Rates £000	Total £000
126	(2,472)	(2,346)	135	(719)	(584)
9	1,753	1,762	130	522	652
135	(719)	(584)	265	(197)	68

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.

2015/16 £000		2016/17 £000
(420)	Balance as at 1st April	(326)
	Settlement or cancellation of accrual made at the end of the	
420	preceding year	326
(326)	Amounts accrued at the end of the current year	(484)
	Amount by which officer remuneration charged to the	
	Comprehensive Income and Expenditure Statement on an	
	accruals basis is different from remuneration chargeable in the	
94	year in accordance with statutory requirements.	(158)
(326)	Balance as at 31st March	(484)

Available-for-Sale Financial Instruments Reserve

The Available-for-Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Disposed of and the gains are realised.

2015/16 £000	2016/17 £000
0 Balance as at 1st April	33
33 Upward revaluation of investments	86
33 Balance as at 31st March	119

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:

2015/16 £000	2016/17 £000
(401) Interest Received	(438)
2,588 Interest Paid	2,582
2,187	2,144

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

2015/16 £000	2016/17 £000
8,169 Depreciation	8,330
164 Amortisation	189
299 Impairment and downward valuations	2,966
42 Movement in Fair Value of Investment Property	(371)
55 Increase/(Decrease) in impairment for Bad Debts	172
7,047 (Decrease)/Increase in creditors	(5,380)
(5,010) (Increase)/Decrease in debtors	3,892
8 (Increase/Decrease) in Inventory	21
2,362 Carrying Value of Non Current Assets Disposed	3,344
4,141 Movement in Pension Liability	2,828
(1,006) Decrease in Provisions	(1,030)
16,271	14,961

Adjustments for items included in the net surplus/deficit on provision of services that are Investing and Financing Activities (Note 26):

2015/16 £000		2016/17 £000
(3,151)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(6,470)
<u>(3,151)</u>		<u>(6,470)</u>

26. Cash Flow Statement – Investing Activities

2015/16 £000		2016/17 £000
(17,439)	Purchase of Property, Plant and Equipment, Investment Property and intangible assets	(17,416)
(27,112)	Purchase of Short Term & Long Term Investments	(14,016)
(700)	Other payments for investing activities	(1,617)
3,151	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	6,470
15,505	Proceeds from short-term and long-term investments	19,341
133	Other receipts from investing activities	467
<u>(26,462)</u>	Net cash flows from investing activities	<u>(6,771)</u>

27. Cash Flow Statement – Financing Activities

2015/16 £000		2016/17 £000
0	Repayment of Short Term and Long Term Borrowing	(2,698)
<u>0</u>	Net cash flows from financing activities	<u>(2,698)</u>

28. Trading Operations

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

Building Maintenance DLO

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

Grounds Maintenance DLO and Nursery

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

Deane Helpline

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

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

		2014/15		2015/16		2016/17	
		£'000	£'000	£'000	£'000	£'000	£'000
Building Maintenance DLO	Turnover	(6,116)		(4,941)		(5,303)	
	Expenditure	6,095		5,014		5,258	
(Surplus)/Deficit			(21)		73		(45)
Grounds Maintenance DLO	Turnover	(3,211)		(3,499)		(3,241)	
	Expenditure	3,241		3,460		3,281	
(Surplus)/Deficit			30		(39)		40
Net DLO (Surplus)/Deficit			9		34		(5)
Deane Helpline	Turnover	(976)		(1,024)		(1,030)	
	Expenditure	1,049		1,091		1,090	
(Surplus)/Deficit			73		67		60
Net Trading (Surplus)/Deficit			82		101		55

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

29. Members' Allowances

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

2015/16 £000	2016/17 £000
309 Allowances	312
15 Expenses	17
324 Allowances paid in the year	329

30. Officers' Remuneration

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

Post holder information (Post Title)		Salary, Fees and Allowances	Expenses Allowances	Compensation for Loss of Office	Total Remuneration excluding pension contributions	Pension Contributions	Total Remuneration	Annualised Salary
		£	£	£	£	£	£	£
Chief Executive	2016/17	113,131	3,333	0	116,464	20,442	136,906	113,131
	2015/16	110,000	1,279	0	111,279	20,240	131,519	110,000
Director for Operations & Deputy Chief Executive	2016/17	97,442	0	0	97,442	12,382	109,824	89,598
	2015/16	86,700	1,247	0	87,947	11,704	99,651	86,700
Director for Growth & Development	2016/17	84,447	1,481	0	85,928	11,126	97,054	82,416
	2015/16	81,600	1,274	0	82,874	11,016	93,890	81,600
Director for Housing & Communities	2016/17	82,416	0	0	82,416	11,126	93,542	82,416
	2015/16	81,600	0	0	81,600	11,016	92,616	81,600
Assistant Chief Executive & Monitoring Officer	2016/17	65,418	0	0	65,418	8,439	73,857	65,418
	2015/16	64,770	0	0	64,770	8,744	73,514	64,770
Assistant Director - Housing & Community Development	2016/17	61,812	0	0	61,812	8,345	70,157	61,812
	2015/16	61,200	0	0	61,200	8,262	69,462	61,200
Assistant Director - Planning & Environment	2016/17	63,843	677	0	64,520	8,345	72,865	61,812
	2015/16	61,200	1,354	0	62,554	8,262	70,816	61,200
Assistant Director - Transformation ¹	2016/17	63,843	627	0	64,470	8,345	72,815	61,812
	2015/16	61,200	1,188	0	62,388	8,262	70,650	61,200
Assistant Director - Operational Delivery	2016/17	63,231	0	0	63,231	8,369	71,600	61,812
	2015/16	61,341	0	0	61,341	8,281	69,622	61,200
Assistant Director - Business Development	2016/17	61,812	0	0	61,812	8,345	70,157	61,812
	2015/16	61,200	0	0	61,200	8,262	69,462	61,200
Assistant Director - Strategic Finance	2016/17	61,812	0	0	61,812	8,345	70,157	61,812
	2015/16	61,200	0	0	61,200	8,262	69,462	61,200
Assistant Director - Energy & Infrastructure	2016/17	64,543	0	0	64,543	8,402	72,945	61,812
	2015/16	61,200	0	0	61,200	8,262	69,462	61,200
Assistant Director - Property & Development ²	2016/17	0	0	0	0	0	0	0
	2015/16	20,476	0	45,900	66,376	2,288	68,664	61,200
Assistant Director - Corporate Services ¹	2016/17	22,998	0	0	22,998	3,105	26,103	68,993
	2015/16	0	0	0	0	0	0	0

Notes:

- 1 The Assistant Director – Transformation was Assistant Director – Corporate Services until 1 December 2016 when he assumed his current role and a new Assistant Director – Corporate Services was appointed.
- 2 The Assistant Director – Property & Development left on 10 July 2015.
- 3 The above posts were shared with West Somerset District Council throughout the two years 2015/16 and 2016/17.
- 4 The split of remuneration for the Director Housing & Communities is 90:10 to Taunton Deane: West Somerset
- 5 The split of remuneration for the Chief Executive, Assistant Chief Executive & Monitoring Officer and Assistant Director – Strategic Finance is 50:50 to Taunton Deane: West Somerset.

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

2015/16 Number of employees Total	Remuneration Band	2016/17 Number of employees Total
4	£50,000 - £54,999	3
2	£60,000 - £64,999	0

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

Exit Package Cost Band (including special payments)	Number Of Other Departures Agreed		Number Of Compulsory Redundancies		Total Number Of Exit Packages By Cost Band		Total Cost Of Exit Packages In Each Band (£)	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
£0 - £20,000	0	3	1	0	1	3	32,830	23,700
£20,001 - £40,000	1	0	0	0	1	0	45,900	0
Total included in the CIES	1	3	1	0	2	3	78,730	23,700

31. External Audit Costs

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

2015/16 £000	2016/17 £000
51 Fees payable to external auditors with regards to external audit services carried out by the appointed auditor for the year	51
11 Fees paid to external auditors for the certification of grant claims and returns for the year	8
62 Total	59

32. Grant Income

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

2015/16 £000	2016/17 £000
Credited to Taxation and Non Specific Grant Income	
1,916 Revenue Support Grant	1,280
62 Council Tax Freeze Grant	0
34 Local Service Support Grant	0
3,187 New Homes Bonus	3,883
1,801 Capital Grants	2,553
7,000 Total	7,716
Credited to Services	
18,311 Rent Allowances	17,488
13,062 Rent Rebates	12,559
627 Housing Benefit Admin	630
940 Other Grants and Contributions	1,537
32,940 Total	32,214
39,940	39,930

33. Related Parties

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

UK Central Government

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

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

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2016/17 is shown in Note 29.

Until 31 March 2017 the Council was part of a joint venture partnership, Southwest One, between Taunton Deane Borough Council, Somerset County Council, Avon and Somerset Police and IBM that was established in 2007 to deliver back office and customer services and a number of wider transformation projects. The Main Board comprised an Independent Chair and Directors representing IBM and each of the founding authorities – the Chief Executive of the Police Authority representing Avon & Somerset Police and, in the case of each Council, an Elected Member. The contract costs for these services are laid out within the original contract and are therefore not influenced by the board.

During 2016/17, works and services to the value of £41,441 were commissioned from organisations in which two Members had an interest. Contracts were entered into in full compliance with the Council's standing orders. In addition, the Council paid grants totalling £129,370 to voluntary organisations in

which four Members had positions on the governing body. In all instances, the grants were made with proper consideration of declarations of interest. The relevant Member did not take part in any discussion or decision relating to the grants. Details of all these interests are recorded in the Register of Members Interests, open to public inspection at the Council office during office hours.

Officers

During 2016/17 works and services to the value of £23,469 were commissioned from organisations in which one senior officer had an interest. Contracts were entered into in full compliance with the Council's standing orders.

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

34. Capital Expenditure and Capital Financing

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

The CFR is analysed as follows:

2015/16 £000	2016/17 £000
105,100	110,679
<i>Opening Capital Financing Requirement</i>	
<i>Capital Investment</i>	
17,304	17,117
700	1,617
135	300
494	1,984
18,633	21,018
<i>Sources of finance</i>	
(1,162)	(4,711)
(920)	(1,269)
(5,562)	(8,541)
<i>Sums set aside from revenue</i>	
(4,091)	(4,083)
(1,319)	(1,439)
(13,054)	(20,043)
110,679	111,654
Closing Capital Financing Requirement	
Explanation of movements in the Capital Financing Requirement in year:	
Increase / (Decrease) in underlying need to borrowing (unsupported by Government	
4,825	975
financial assistance)	
4,825	975
Increase/(decrease) in Capital Financing Requirement	

35. Leases

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

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

Council as Lessor

Operating Leases

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

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

31 March 2016	31 March 2017
£000	£000
643 Not later than one year	619
2,362 Later than one year and not later than five years	2,274
<u>2,530</u> Later than five years and not later than ten years	<u>2,435</u>
<u>5,535</u> Total payments due in future years	<u>5,328</u>

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

36. Termination Benefits

As part of the Joint Management and Shared Service (JMASS) partnership with West Somerset the Councils jointly terminated the contracts of 3 employees in 2016/17, compared to 2 in 2015/16. See note 33 for the number of exit packages and total cost per band.

37. Defined Benefit Pensions Schemes

Participation in Pension Schemes

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

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

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013, is contracted out of the State Second Pension and currently

provides benefits based on career average revalued salary and length of service on retirement, with various protections in place for those members in the scheme before the changes took effect.

Transactions relating to post employment benefits

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

2015/16 £000		2016/17 £000
Comprehensive Income and Expenditure Statement (CIES)		
Cost of Services		
4,043	Service costs	3,119
60	Administration expenses	72
Financing and Investment Income and Expenditure:		
2,996	Net interest on the defined liability	2,828
7,099	Total Post Employment Benefits charged to the Surplus on the Provision of Services	6,019
Remeasurement of the net defined liability comprising:		
2,028	Return on assets (excluding the amount included in the net interest expense)	(18,113)
(19,954)	Change in financial assumptions	40,435
0	Change in demographic assumptions	(2,796)
(95)	Experience (gain) / loss on defined benefit obligation	(2,041)
0	Other actuarial (gains) / losses on assets	779
(18,021)	Total Post Employment Benefit Charged to the Income and Expenditure Statement	18,264
Movement in Reserves Statement		
(7,099)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	(6,019)
Actual amount charged against the General Fund balance for pensions in the year:		
2,958	Employers contributions payable to scheme	3,191

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

31 March 2016 £000	Local Government Pension Scheme	31 March 2017 £000
(163,308)	Present value of funded obligation	(200,912)
87,248	Fair value of plan assets	103,902
(76,060)	Deficit	(97,010)
(2,328)	Present value of unfunded obligation	(2,470)
(78,388)	Net Liability	(99,480)

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

2015/16 £000	Funded liabilities: Local Government Pension Scheme	2016/17 £000
(179,985)	Opening balances as at 1 April	(165,636)
(4,043)	Current service cost	(3,645)
(5,870)	Interest cost	(5,978)
19,954	Change in financial assumptions	(40,435)
0	Change in demographic assumptions	2,796
95	Experience loss / (gain) on defined benefit obligation	2,041
(899)	Contributions by scheme participants	(885)
4,961	Benefits paid	6,079
0	Past service costs, including curtailments	(52)
0	Settlements	2,191
151	Unfunded Pension Payments	142
(165,636)	Closing balance as at 31 March	(203,382)

Reconciliation of fair value of the scheme assets:

2015/16 £000	Local Government Pension Scheme	2016/17 £000
87,717	Opening balance as at 1st April	87,248
2,874	Interest on assets	3,150
(2,028)	Return on assets less interest	18,113
0	Other actuarial gains/(losses)	(779)
(60)	Administration expenses	(72)
2,958	Employer contributions	3,191
899	Contributions by scheme participants	885
(5,112)	Benefits paid	(6,221)
0	Settlements	(1,613)
87,248	Closing balance as at 31st March	103,902

Local Government Pension Scheme assets comprised:

2015/16 £000	Fair Value of Scheme Assets	2016/17 £000
59,801	Equities	74,076
6,580	Gilts	6,368
9,625	Other bonds	10,190
9,823	Property	9,167
1,419	Cash	4,101
87,248	Total	103,902

From the information we have received from the Administering Authority we understand that of the total Fund at 31 March 2017 approximately £7.897m (2016 £3.732m) of Equities and £9.167m (2016 £9.823m) of Property did not have a quoted market price in an active market.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. The Local Government Pension Scheme has been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 31 March 2016.

2015/16	Local Government Pension Scheme	2016/17
	Long-term expected rates of return on assets in the scheme:	
	Mortality assumptions:	
	<u>Longevity at 65 for current pensioners</u>	
23.8	- Men	23.9
26.2	- Women	25.0
	<u>Longevity at 65 for future pensioners</u>	
26.1	- Men	26.1
28.5	- Women	27.4
3.3%	Rate of inflation - RPI	3.6%
2.4%	Rate of inflation - CPI	2.7%
4.2%	Rate of increase in salaries	4.2%
2.4%	Rate of increase in pensions	2.7%
3.7%	Rate for discounting scheme liabilities	2.8%
10.0%	Take up option to convert annual pension into retirement lump sum	10.0%

Sensitivity Analysis:

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

	Impact on the Defined Benefit Obligation In the Scheme	
	Increase in Assumption £000	Decrease in Assumption £000
Longevity (increase or decrease in 1 year)	(7,788)	7,491
Rate of increase in salaries (increase or decrease by 0.1%)	(552)	547
Rate of increase in pensions (increase or decrease by 0.1%)	(3,355)	3,290
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	3,829	(3,907)

Impact on the Council's Cash Flows

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £99.480m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

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

The total of contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2018 is £3.948m.

38. Contingent Liabilities

Tone Leisure

During 2004/05, the Council created a Leisure Trust, Tone Leisure, to manage its leisure services on its behalf. During the creation of the trust, Tone Leisure became an admitted body into the Somerset County Council Pension Fund and the Council provided a guarantee that it would 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.

In January 2017 Tone Leisure formally merged with Greenwich Leisure Limited (GLL) and its employees transferred to GLL in accordance with the Transfer of Undertakings (Protection of Employment) rules. The Council remains liable for the deficit on the Pension Fund attributable to GLL at 31 March 2017 only if GLL can no longer be considered a going concern. The Council has assessed GLL as a going concern. The liability has not been included within the Council's main financial statements. The Council would need to make good that deficit by increasing its own contributions to the Fund. Additional payments may be expected in the future but have yet to be determined. However, the amount disclosed, in compliance with the relevant accounting requirements, does not fully reflect the Council's overall potential liability in this matter, which amounts to approximately £3.941m (2015/16 £1.630m).

Business Rates Retention

The total provision for current and backdated appeals stands at £2.336m (2015/16 £4.799m), of this the Council's share is £0.934m (2015/16 £1.920m). There could be future appeals in respect of rates billed to date but there is no reasonable basis of estimating what that total could be.

South West Audit Partnership Limited

In March 2013, new governance arrangements were approved with the formation of a new company limited by guarantee to replace the previous Joint Committee. At its Full Council meeting on 4 March 2013, Taunton Deane Borough Council elected to become a Member of the Company – South West Audit Partnership Ltd – with effect from 1 April 2013. At the same meeting the Council offered to guarantee to the Somerset Pension Fund the level of deficit funding related to ex-TDBC employees, estimated at £268k.

Planning Guarantee

Under the terms of the Government's Planning Guarantee any application registered after 1st October 2013 which has taken longer than six months to determine without an extension of time being in place can be subject to the applicant requesting a fee refund. As there is no time limit for requesting a refund the Council has a contingent liability in respect of future requests; it is estimated that this is unlikely to exceed £60k.

Business Rates Appeal by the NHS

Along with other local authorities we have received claims from a local trust hospital to receive mandatory charitable relief (under Section 47 of the LGFA 1988) in relation to their Business Rates bills, including backdating the relief for six years. If these claims are successful this would result in an 80% mandatory award being applied per application. Currently Trusts or Foundation Trusts are not considered charitable organisations but rather public funded organisations with boards of directors and not trustees. The matter is now the subject of a legal process nationally and local government stand by the stance that relief is not applicable. We have therefore not provided for any settlement in our accounts.

39. Nature and Extent of Risks Arising From Financial Instruments

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

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

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

The main risks covered are:

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

Credit Risk: Investments

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

A limit of up to £6.0m is placed on the amount of money that can be invested with a single counterparty. The Council also sets a total group investment limit for institutions that are part of the same banking group. No more than £6.0m in total can be invested for a period of longer than a year.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £6.0m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2017 that this was likely to crystallise.

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The Council does not hold collateral against any investments.

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

31 Mar 2016			31 Mar 2017		
Long Term	Short Term	Credit Rating	Long Term	Short Term	
£000	£000		£000	£000	
11,075	11,250	AAA	10,835	15,850	
0	0	AA	0	3,000	
0	2,000	AA-	0	2,000	
0	1,000	A+	0	2,000	
0	4,000	A	0	2,800	
0	6,000	A-	0	0	
0	1,000	Unrated	0	1,000	
11,075	25,250	Total	10,835	26,650	

Trade Receivables

During 2016/17 the Council continued to carefully review historic debtor balances and has written off old irrecoverable debts. The Council has a policy of exploring cost effective ways to ensure debts are fully recovered and thus minimise exposure to credit risk.

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

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

31 March 2016		31 March 2017	31 March 2017	31 March 2017
Trade Debtors		Trade Debtors	Impairment	Trade Debtors Not Impaired
£000		£000	£000	£000
1,004	Less than three months	951	0	951
64	Over three months up to six months	49	12	37
55	Over six months up to one year	58	14	44
198	More than one year	152	85	67
1,321		1,210	111	1,099

Liquidity Risk

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

The maturity analysis of the principal sums borrowed is as follows:

31 Mar 2016			31 Mar 2017	
Long Term	Short Term	Credit Rating	Long Term	Short Term
£000	£000		£000	£000
Loans by Type				
86,500	2,698	Public Works Loan Board	82,500	4,000
3,000	0	Other Financial Institutions	3,000	0
89,500	2,698		85,500	4,000
Loans by Maturity				
0	2,698	Less than 1 year	0	4,000
4,000	0	Over 1 but not over 2 years	3,000	0
10,000	0	Over 2 but not over 5 years	17,000	0
35,000	0	Over 5 but not over 10 years	41,000	0
33,500	0	Over 10 but not over 15 years	17,500	0
0	0	Over 15 but not over 20 years	0	0
7,000	0	More than 20 years	7,000	0
89,500	2,698		85,500	4,000

Market Risk

Interest Rate Risk

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

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

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

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

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

2015/16	2016/17
£000	£000
50	50
(152)	(216)
(102) Impact on Surplus or Deficit on the Provision of Services	(166)
7,573	7,627
266	166

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

Price Risk

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

Foreign Exchange Risk

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

Housing (HRA) Income and Expenditure Account

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

2015/16		2016/17	
£000	£000	£000	£000
Income			
	(25,021)		(24,682)
	(604)		(590)
	(1,011)		(1,311)
	(420)		(433)
	<u>(27,056)</u>		<u>(27,016)</u>
Expenditure			
6,018	Repairs and Maintenance	5,988	
6,586	Supervision and Management	6,600	
325	Rents, Rates, Taxes and Other Charges	366	
6,691	Depreciation and Impairment of Fixed Assets	6,688	
120	Revenue Expenditure Funded from Capital Under Statute	0	
81	Movement in the Allowance for Bad Debts	135	
	<u>19,821</u>		<u>19,777</u>
	(7,235)		(7,239)
Net Income of HRA Services as included in the Comprehensive Income and Expenditure Statement			
	<u>206</u>		<u>207</u>
	(7,029)		(7,032)
Net Income of HRA Services			
HRA Share of Operating and Expenditure included in the Comprehensive Income and Expenditure Statement:			
	(975)		(1,487)
	2,760		2,753
	(131)		(132)
	404		447
	(120)		0
	<u>(5,091)</u>		<u>(5,451)</u>
	(5,091)		(5,451)
Surplus for the year on HRA Services			

Statement of Movement on the HRA Balance

2015/16		2016/17	
£000	£000	£000	£000
	3,483		2,675
	Balance on the HRA at the end of the previous year		
5,091	Surplus or the year on the HRA Income and Expenditure Account	5,451	
<u>(3,079)</u>	Adjustments between accounting basis and funding under Statute (see analysis below)	<u>(2,950)</u>	
2,012	Reserves	2,501	
(2,673)	Transfers (to) or from Reserves	(1,952)	
<u>(147)</u>	Other Movements	<u>0</u>	
	(808) Increase or (Decrease) in the Year on the HRA		549
	<u>2,675</u> Balance on the HRA at the end of the current year		<u>3,224</u>

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.

2015/16	2016/17
£000	£000
	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance
(20)	with statute requirements
	76
(975)	Reversal of (gain) or loss on sale of HRA non-current assets
	(1,487)
(1,766)	Capital expenditure charged against revenue
	(794)
558	HRA share of contributions to or from the Pensions Reserve
	530
(6,674)	Transfer to/(from) the Major Repairs Reserve
	(6,956)
<u>5,798</u>	Transfer to/(from) the Capital Adjustment Account
	<u>5,681</u>
<u>(3,079)</u>	<u>(2,950)</u> Balance on the HRA at the end of the current year

Collection Fund

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

2015/16			2016/17		
Business Rates £000	Council Tax £000	Total £000	Business Rates £000	Council Tax £000	Total £000
Income					
0	(56,835)	(56,835)	0	(61,786)	(61,786)
(39,851)	0	(39,851)	(40,410)	0	(40,410)
(177)	0	(177)	251	0	251
(887)	0	(887)	(239)	0	(239)
(160)	907	747	(43)	880	837
0	151	151	0	150	150
(18)	67	49	(5)	67	62
(710)	135	(575)	(192)	131	(61)
(41,803)	(55,575)	(97,378)	(40,638)	(60,558)	(101,196)
Expenditure					
Demands and Shares					
19,904	0	19,904	20,414	0	20,414
3,583	39,395	42,978	3,675	42,263	45,938
0	6,703	6,703	0	6,965	6,965
398	3,007	3,405	408	3,125	3,533
15,923	5,862	21,785	16,331	6,334	22,665
164	0	164	165	0	165
(2,540)	0	(2,540)	(2,464)	0	(2,464)
258	140	398	164	244	408
(362)	383	21	328	437	765
16	0	16	9	0	9
148	0	148	232	0	232
37,492	55,490	92,982	39,262	59,368	98,630
(4,311)	(85)	(4,396)	(1,376)	(1,190)	(2,566)
6,181	(1,183)	4,998	1,870	(1,268)	602
1,870	(1,268)	602	494	(2,458)	(1,964)
Attributable to:					
935	0	935	247	0	247
169	(910)	(741)	44	(1,773)	(1,729)
0	(154)	(154)	0	(290)	(290)
19	(69)	(50)	5	(130)	(125)
747	(135)	612	198	(265)	(67)
1,870	(1,268)	602	494	(2,458)	(1,964)

Notes to the Supplementary Statements

Housing Revenue Account

A Housing Stock

The Council was responsible for managing close to 5,800 dwellings during 2016/17. The stock at 31 March was made up as follows:

31 March 2016 £000	31 March 2017 £000
2,911 Houses	2,873
849 Bungalows	848
2,042 Flats and Maisonettes	2,053
5,802	5,774
1 Shared Equity	1
5,803	5,775

The change in stock was made up of 44 sales and the completion of 16 new builds.

B Value of Assets

The balance sheet value of HRA assets at 31 March 2016 and 31 March 2017 is shown below.

Movement in 2016/17	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infra- structure Assets £000	Total Property, Plant and Equipment £000	Assets Held For Sale £000	Intangible Assets £000	Total £000
Cost or Valuation								
At 1 April 2016	229,031	19,380	198	1,987	250,596	482	753	251,831
Additions	10,757	0	5	0	10,762	0	0	10,762
Revaluation increases / (decreases) recognised in the Revaluation reserve	9,954	(888)	0	0	9,066	0	0	9,066
Derecognition - Disposals	(1,576)	0	0	0	(1,576)	(447)	0	(2,023)
Reclassified (to)/from Held From Sale	(882)	0	0	0	(882)	882	0	0
At 31 March 2017	247,284	18,492	203	1,987	267,966	917	753	269,636
Accumulated Depreciation and Impairment								
At 1 April 2016	0	(159)	(99)	(409)	(667)	0	(578)	(1,245)
Depreciation charge	(6,244)	(289)	(28)	(51)	(6,612)	0	(75)	(6,687)
Depreciation written out to the Revaluation Reserve	6,244	85	0	0	6,329	0	0	6,329
At 31 March 2017	0	(363)	(127)	(460)	(950)	0	(653)	(1,603)
Net Book Value								
As at 31 March 2017	247,284	18,129	76	1,527	267,016	917	100	268,033

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Movement in 2015/16	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infra-structure Assets £000	Total Property, Plant and Equipment £000	Assets Held For Sale £000	Intangible Assets £000	Total £000
Cost or Valuation								
At 1 April 2015	217,754	19,150	137	1,987	239,028	634	740	240,402
Additions	11,197	0	61	0	11,258	0	13	11,271
Revaluation increases / (decreases) recognised in the Revaluation reserve	1,570	230	0	0	1,800	0	0	1,800
Derecognition - Disposals	(1,087)	0	0	0	(1,087)	0	0	(1,087)
Derecognition - Other	(66)	0	0	0	(66)	(489)	0	(555)
Reclassified (to)/from Held From Sale	(337)	0	0	0	(337)	337	0	0
At 31 March 2016	229,031	19,380	198	1,987	250,596	482	753	251,831
Accumulated Depreciation and Impairment								
At 1 April 2015	0	(374)	(83)	(358)	(815)	0	(504)	(1,319)
Depreciation charge	(6,263)	(287)	(16)	(51)	(6,617)	0	(74)	(6,691)
Depreciation written out to the Revaluation Reserve	6,263	502	0	0	6,765	0	0	6,765
At 31 March 2016	0	(159)	(99)	(409)	(667)	0	(578)	(1,245)
Net Book Value								
As at 31 March 2016	229,031	19,221	99	1,578	249,929	482	175	250,586

C Value of Dwellings at 31 March 2017

The open market value of dwellings within the HRA at 31 March 2017 is £708.102m compared with the balance sheet value of £247.284m. The difference of £460.818m represents the economic cost to the Government of providing Council housing at less than open market rents.

D Rent Arrears

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

31 March 2016 £000		31 March 2017 £000	
544	Rent Arrears	715	
(251)	Provision for Bad Debts	(251)	
293	Anticipated Collectable Arrears	464	
2.2%	Arrears as % of Gross Rent Income	1.9%	

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 0.99% (0.75% in 2015/16) of available properties were vacant. Average weekly rents were £82.08, a decrease of £0.86 (-1.04%) 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.

2015/16 £000	2016/17 £000
5,064 Balance as at 1 April	6,176
6,674 Transfer from Revenue to Major Repairs Reserve	6,956
(5,562) Financing of HRA Capital Expenditure	(8,541)
6,176 Balance as at 31 March	4,591

H Revenue Expenditure funded from Capital under Statute

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

2015/16 £000	2016/17 £000
120 Capital Expenditure	0
120 Total	0

I Total Capital Expenditure and Receipts

2015/16 £000	2016/17 £000
HRA Capital Expenditure	
11,197 Dwellings	10,757
13 Intangible Assets	0
61 Vehicles, Plant and Equipment	5
120 Revenue Expenditure funded from Capital under Statute	0
11,391	10,762
Financed By	
366 Capital Receipts	684
157 Government Grants and Contributions	0
1,766 Contribution from Revenue	744
5,562 Major Repairs Reserve	8,541
3,540 Borrowing	793
11,391	10,762

The table below shows the amount of capital receipts received by the HRA:

2015/16 £000	2016/17 £000
2,665 Dwellings	3,568
(49) Administrative Cost of Sales	(57)
2,616	3,511

J Pension Scheme

Following advice issued by CIPFA regarding Accounting for Defined Benefit Retirement Benefits in the HRA, TDBC has concluded that neither ring-fencing nor resource accounting in the HRA require the HRA to be treated differently from other services on the grounds of proper practice. There is therefore an amount of £71,502 (2015/16 £146,313) included within management expenditure, which reflects the Current Service Costs of the Pension Scheme, in accordance with IAS19. These costs are currently notional and do not represent real cash outflows. Within the Housing Revenue Account these costs are negated by a contribution from the pension reserve.

Collection Fund**K Council Tax**

The Council's tax base for 2016/17, 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)	7.17	5/9	3.98
A	4,343.33	6/9	2,895.55
B	11,957.37	7/9	9,300.18
C	8,476.08	8/9	7,534.29
D	6,439.65	9/9	6,439.65
E	5,332.35	11/9	6,517.32
F	3,188.52	13/9	4,605.65
G	1,466.44	15/9	2,444.07
H	63.75	18/9	127.50
	41,274.66		39,868.19
Less adjustment for Non-Collection of Rates			(795.33)
Council Tax Base			39,072.86

L Income from Business Ratepayers

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

The total non-domestic rateable value at 31 March 2017 was £103,428,427 (31 March 2016 £103,025,068). The standard national non-domestic multiplier for the year was £0.497 (2015/16 £0.493); the national non-domestic small business multiplier for the year was £0.484(2015/16 £0.480).

M Somerset Business Rates Pool

As part of the Business Rates Retention system the Government introduced a system of Levies and Safety Nets. Growth is limited by a Levy, which pays for a national Safety Net for authorities whose Business Rates base declines by more than 7.5%. The Levy rate can be reduced by being part of a Business Rates Pool. The Somerset Business Rates Pool was established with effect from 1st April 2015. This Council is a member of the Pool which consists of five other Districts and Somerset County Council and has resulted in a Pool Levy rate of 7.5% (opposed to 50.0%) enabling the council to retain more of the proceeds from growth. The retained levy is allocated across the pool members in accordance with the Pooling Agreement. Taunton Deane Borough Council's share of the retained levy for 2016/17 was £218k.

Glossary of Terms

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

Accruals

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

Amortisation

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

Amortised Cost

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

Apportionment

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

Assets Held for Sale

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

Assets under Construction

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

Band D Equivalent

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

Billing Authority

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

Budget Requirement

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

Capital Charges

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

Capital Expenditure

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

Capital Receipts

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

Cash Equivalents

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

Capital Financing Requirement (CFR)

CFR measures the Council's underlying need to borrow or finance by other long-term liabilities for a capital purpose.

Chartered Institute of Public Finance Accountancy (CIPFA)

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

CIPFA/LASAAC

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

Collection Fund

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

Collection Fund Adjustment Account

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

Community Assets

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

Commutated Sum

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

Componentisation

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

Corporate and Democratic Core

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

Council Tax

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

Creditors

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

Debtors

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

Depreciation

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

Direct Service Organisation (DSO)/Direct Labour Organisation (DLO)

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

Earmarked Reserves

Amounts of money set aside for a specific purpose.

Estimates

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

Fair Value

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

Fees and Charges

Income raised by charging for the use of facilities or services.

Financial Instruments

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

Finance Lease

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

General Fund

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

Government Grants

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

Gross Expenditure

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

Heritage Assets

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

Housing Revenue Account (HRA)

Local authorities are required to maintain a separate account – the Housing Revenue Account – which sets out the expenditure and income arising from the provision of housing. Other services are charged to the general fund. Since 1990/91, local authorities have not been allowed to transfer monies between their General Fund and their HRA; this is known as "ring fencing". Rents charged to council house tenants are set based on convergence with the rents levied by other social housing providers, such as housing associations, by 2016/17.

IFRS

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

IFRS Code of Practice

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

Impairment

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

Infrastructure Assets

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

Inventories

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

Investments

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

Investment Properties

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

Liquid Resources

Assets which are readily convertible into known amounts of cash.

Loans and Receivables

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

LGA

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

Minimum Revenue Provision (MRP)

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

Money Market Funds

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

Net Book Value

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

Net Current Replacement Cost

The cost of replacing or recreating the particular asset in its existing condition and for its existing use.

Net Expenditure

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

Net Realisable Value

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

National Non-domestic Rate (NNDR)

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

Operating Lease

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

Post Balance Sheet Events

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

Precept

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

Precepting Authorities

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

Property Plant and Equipment

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

Provisions

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

Public Works Loan Board (PWLB)

A central government agency, which provides long and shorter-term loans to local authorities.

Rateable Value

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

Re-chargeable Works

Ad-hoc jobs, the costs of which are recoverable from third parties.

Reserves

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

Revenue Expenditure

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

Revenue Expenditure funded from Capital under Statute

Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. 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.

Support Service Recharges

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

Tangible Assets

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

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.