

TAUNTON DEANE BOROUGH COUNCIL

CORPORATE GOVERNANCE 28 JUNE 2010

JOINT REPORT OF THE S151 OFFICER

STATEMENT OF ACCOUNTS 2009/10

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

1 Executive Summary

1.1 The Annual Statement of Accounts for 2009/10 is required to be approved by the Corporate Governance Committee. To promote debate on the Annual Accounts, the Strategic Finance Officer and Financial Accountant will make a brief presentation on the Accounts and will be available to answer any questions that the Committee may have.

2 Purpose

- 2.1 To obtain the Committee's approval of the annual Statement of Accounts as signed by the S151 Officer.

3 Background

- 3.1 Under the Accounts and Audit Regulations the Statement of Accounts is required to be approved by a resolution of a nominated committee. The current constitutional arrangements allocate this responsibility to the Corporate Governance Committee. In addition to being signed by the Council's S151 officer, the annual accounts have to be signed by the Chair of the Council Committee that approves those accounts. This responsibility therefore falls upon the Chair of this Committee.
- 3.2 The existing legislation requires the 2009/10 Statement of Accounts to be formally approved by Members by the end of June.
- 3.3 The 2009/10 Accounts presented this evening are subject to audit, which will shortly be undertaken by the Audit Commission. The Accounts presented are complete, subject to the Auditors Opinion. The Council's external auditor will be present during the debate on the accounts.

4 Statement of Accounts

- 4.1 The format of the Annual Accounts has not changed substantially from the previous year with only some technical accounting amendments when compared to last year. These changes do not have an impact on the "bottom line" of the Council but are necessary to ensure compliance with the mandatory CIPFA Statement of Recommended Practice on Local Authority Accounting (SORP).
- 4.2 The Strategic Finance Officer and Financial Accountant will make a brief presentation on the main changes and highlights shown in the Annual Accounts and will be available to answer queries which the Committee may have. However as the Annual Accounts are a largely technical document it would be useful to receive advance notification of particular questions in order that a comprehensive

answer can be provided at the meeting. Questions should be addressed to the Temporary Accountant who will also be available to provide further information and clarification at any time prior to the meeting.

5 Notice of Conclusion of Audit

- 5.1 Following the conclusion of Audit, this Committee will be informed of any significant amendments arising. If there are no significant amendments, there will be no further report on the 2009/10 Statement of Accounts.

6 Legal Comments

- 6.1 Production of the Statement of Accounts is a legal requirement, as referred above.

7 Links to Corporate Aims

- 7.1 Being a corporate document detailing all of the financial activities of the Council the Statement of Accounts for 2009/10 impacts on all corporate aims.

8 Equalities Impact

- 8.1 Not specific for this report.

9 Risk Management

- 9.1 Risk management is embedded within the financial management framework for stewardship of the Council's resources.

10 Partnership Implications

- 10.1 The production of the Statement of Accounts relies significantly on the support of Southwest One Finance and other services. The Council's Group Accounts included within the Accounts of Tone Leisure.

11 Recommendations

- 11.1 The Corporate Governance Committee is recommended to:

- a) Approve the Statement of Accounts for 2009/10
- b) Make the following determination in respect of the year ended 31 March 2010:

Section 42(2)(g): That £4,220k of expenditure for capital purposes, which was financed by grant, be capitalised.

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The Statement of Responsibilities for the Statement of Accounts

The Council is required:

- To make arrangements for the setting of proper systems of Internal Governance, further details of which are shown on page 3;
- 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 Authority that officer is the Strategic Director;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- To approve the Statement of Accounts. Under this Council's constitutional arrangements this is the responsibility of the Corporate Governance Committee.

Strategic Director:

The Strategic Director is responsible for the preparation of the Council's Statement of Accounts which, in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code of Practice"), is required to present fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2010.

In preparing this Statement of Accounts the Strategic Director has:

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

The Strategic Director has also:

- Kept proper accounting records which are up to date and,
- 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 2010 and its income and expenditure for the year ended 31 March 2010.



M Hammond ACCA
Section 151 Officer
28 June 2010

Annual Governance Statement 2009/10

Scope of responsibility

Taunton Deane Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, used economically, efficiently and effectively.

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

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

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

This statement explains how Taunton Deane Borough Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a Statement on Internal Control.

The purpose of the governance framework

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

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

The governance framework has been in place at Taunton Deane Borough Council for the year ended 31 March 2010 and up to the date of approval of the statement of accounts

The Governance Framework

The Council uses the CIPFA/SOLACE six core principles of governance to assess the adequacy of its governance arrangements. The framework in place ensures adherence to the code and the key areas of evidence of delivery are listed below:

Focusing on the purpose of the Council and on outcomes for the community creating and implementing a vision for the local area.

The Council has a 3 year Corporate Strategy, which sets out the corporate aims and a series of organisational objectives embodying how the council will deliver services and meet statutory requirements.

The Corporate Strategy is the Council's core planning document, from which the Financial Strategy, Medium Term Financial Plan, Annual Budget, Asset Management Plan, Capital and Housing Strategies are formed to underpin the corporate aims.

Corporate Aims Delivery Plans have been introduced to plan delivery of the Corporate Aims, identify resources and embrace theme working. Service Plans are produced from the Corporate Strategy to show how each service will contribute to the delivery of the Corporate Aims and its service objectives.

The Community Strategy for Taunton has been produced through the Local Strategic Partnership (LSP) in consultation with partners and sets out a broad agenda of action to improve the quality of life.

The Somerset Strategic Partnership (SSP) has produced a Sustainable Community Strategy for Somerset 2009-2026, setting out a vision of a dynamic, successful modern economy that supports respects and develops Somerset's distinctive communities and unique environment".

The Council is a partner on the Somerset Comprehensive Area Assessment (CAA) officers' group, a sub group of the SSP, which was formed to address the challenges of CAA. The partners are working together on a number of improvement areas.

Project Taunton in partnership with the private sector is delivering the urban renaissance of the town centre as set out in the RTPI award winning master plan and the adopted Taunton Town Centre Area Action Plan. A "Taunton Protocol" has been developed which sets the standard for sustainable development. This has been adopted by the Council for use on development of its own landholding and many partners have agreed to use all or part of the protocol in Taunton developments.

The Council undertook a residents' survey (The Place Survey) during 2008. This gathered residents' views on what is important about the area where they live, what needs improving most and their views on the Council. The survey, along with other local and national research and consultation information, such as community profiles and Index of Multiple Deprivation, formed an important part of the evidence base for Members' workshops and ultimately the Council's 2010-2013 Corporate Strategy.

The Council has created a partnership, named Southwest One, with IBM, Somerset County Council and Avon and Somerset Constabulary. This partnership has modernised and reduced the cost of many of the Council's support services as well as improving access to and delivery of customer-facing services enabling the Council to improve services to the Community.

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

The Council's constitution documents the roles and responsibilities of the Council, Executive, Scrutiny, Policy Development, Regulatory and Officer functions. The constitution is kept under review by the Constitutional Sub-Committee. All proposed changes are considered by the Corporate Governance Committee and full Council.

A substantial review has been completed that considered changes to Scrutiny and those arising from the Local Government and Public Involvement in Health Act 2007.

A fundamental review of the structure and ways of working at all levels within the Core Council has recently been completed. This will enable the Core Council to be fit for purpose, delivering our vision, widened roles and ways of working and deliver substantial efficiency savings for 2009/10 and beyond.

The strategic direction of the organisation and sponsorship of key objectives and priorities is undertaken by the Corporate Management Team, which consists of the Directors, Theme Managers and a representative of Southwest One – who meet on a fortnightly basis with the Chief Executive.

The Leader and Chief Executive meet on a regular weekly basis in order to maintain a shared understanding of roles and objectives.

The statutory roles of Monitoring Officer and Chief Finance Officer are well established with their own control regimes to enhance the control environment.

There is compliance with financial procedure rules for the efficient and effective discharge of the Council's business.

Performance management and reporting has been revised with the introduction of a 'Scorecard' to provide a more holistic view of the organisation's performance, which is reported quarterly to the Executive and Corporate Scrutiny.

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

The Council's Standards Committee is chaired by and has a majority of independent members. The Committee promotes and maintains high standards of conduct by Councillors, advising and training on the member's code of conduct, dealing with complaints against members, and any issues raised by the Monitoring Officer. The Committee submitted its annual report to the Council's Corporate Governance Committee on 15 March 2010.

A new code of conduct for members and employees is anticipated later this year and there will be a need for all members to be further updated on any changes.

A complaints procedure is in place for the Council to receive and investigate any complaint made against Borough or Parish members. During the year only five complaints had been received, one was withdrawn, two were referred for other action, which means that there were no findings of fact or breach, one had been referred for investigation and was referred for other action. Only one breach of the code was found and the member was requested to give a written apology to the Planning Committee and its members.

The Standards Committee has carried out an ethical governance health check, sending questionnaires to all Members and senior managers and this will be followed by a series of workshops over the coming months. A further survey will be sent to Parish councils in the Summer of 2010.

The Council has established Whistle-blowing and Anti-Fraud and Corruption policies and details of these are published in the Council's staff handbook and intranet. The staff handbook is regularly updated and is accessible by all staff. The handbook contains all key personnel policies, standards, procedures and codes of conduct.

The Corporate Governance Committee deals with the formal approval of the accounts and external audit reports arising from that, has an overview of the internal audit function and strategic risk management process, and deals with any change to the Council's constitution. The Committee also receives a quarterly update on the use of authorisations given under the Regulation of Investigatory Powers Act.

Internal and External audit work together to review and provide annual opinions on the control framework, governance and validity of the annual accounts. Various other inspection agencies also look at specific areas of this Council's business.

Taking informed and transparent decisions which are subject to effective scrutiny and risk management arrangements

Taunton Deane Borough Council has a published Constitution that sets out the decision-making arrangements and the responsibilities for different functions. There are clear rules of procedure for the running of business meetings and details of delegated authorities to individuals.

Corporate Scrutiny and Community Scrutiny were set up in April 2009. Performance issues identified in the monitoring reports can be referred to other committees for further scrutiny. These committees have helped to ensure that the Council challenges Value for Money more robustly.

The main decision making body of the Council is the Executive, which consists of the Leader together with 8 Councillors and carries out all of the Council's functions, which are not the responsibility of any other part of the Council.

Council meetings are open to the public (with the exception of items that are exempt under the Access to Information Act). The Council makes every effort to advertise meetings, communicate decisions and minutes to ensure they are publicly available.

The Executive has a published Forward Plan of Decisions to be taken and meets in public on a monthly basis. Executive Councillors have delegated authority to make certain decisions, which are published in the Council's Weekly Bulletin. This, together with an appropriate level of delegation to senior managers, enables speedy and effective decision-making. In addition, all draft Executive minutes are circulated with a call-in pro-forma to all councillors, ensuring a prompt response to any request.

Risk Management has been in operation for a number of years. The process identifies, prioritises and manages the risks that exist in order to ensure the Council achieves its aims and objectives. The key features are:

- Strategy reviewed annually
- Comprehensive strategic risk register
- Individual risk registers
- Risk management implementation plan
- Joined up with service planning
- Corporate governance committee members received training
- Internal audit reports to management on effectiveness

The Council's overall financial arrangements are governed by its Financial Strategy and MTFP, which set out the financial framework for the delivery of the Council's established Corporate Strategy.

The Council has well-developed robust budget monitoring arrangements. Regular reports are presented to the Strategic Director, with quarterly exception reports considered by Corporate Management Team prior to consideration by members of the Executive and Scrutiny functions.

The robustness of the budget critically depends on the maintenance of a sound financial control environment including effective financial management in each of the Council's service areas. The Financial Regulations form part of the Constitution and set clear guidelines, procedures and limits in relation to financial activities.

Developing the capacity and capability of members and officers to be effective in their roles

The Council aims to ensure that officers and members have the knowledge, capacity and skills they need to undertake their duties.

The Council's Performance Management Framework ensures that the links between the Council's Corporate Objectives, Operational Plans and those of individual officers are clear.

Staff receive Performance Review and Employee Development interviews every 12 months to discuss their capacity and capability to ensure that they can carry out their jobs. Any identified gaps are then plugged by training and development opportunities. All new members and officers undertake an induction to ensure that they get an appreciation of the policies, procedures, values and aims of the Council.

The Council has undertaken a significant programme of management development over the last year to ensure its leadership team is equipped to support the challenging change programme that lies ahead.

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

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

The Council consults using a variety of methods, which include public meetings, forums, surveys (including the Place Survey), feedback forms and focus groups. Listening to and understanding the views of residents, services users, business people, visitors and staff is important to Taunton Deane Borough Council.

Council's vision and priorities are regularly communicated to the Community through the Somerset County Gazette.

The Council produces the Annual Statement of Accounts and an Annual Report, which summarises achievements and financial performance over the previous financial year. The Council tax booklet shares with payers, details on the Council's financial strategy, priorities, performance and other useful information.

The Council is a member of the Somerset Strategic Partnership and produces an Annual Report on Somerset's achievements against its Sustainable Community Strategy.

Committee and Council meetings are open to the public, with papers available on the internet.

There is regular community engagement and participation through specific community groups involving Housing, Environmental Health, Planning and Democratic Services.

Review of effectiveness

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

The review for the 2009/10 statement was carried out by a working group made up of the Section 151 Officer, Monitoring Officer, the Council's Group Auditor and Performance Manager. The review was informed by:

- Comments of Internal Audit – Internal Audit is provided by South West Audit Partnership. They are responsible for monitoring the effectiveness of the systems of internal control. Their work is based on a 4 year rolling programme based on risk covering financial and operational audits. Audit reports are copied to management and carry an independent opinion on the adequacy and effectiveness of the Council's internal controls.
- Comments of External Audit – External Audit provide the Council with assurance in the form of their Annual Audit and Inspection Letter and Use of Resources Assessment (which includes a value for money judgement).
- Performance information and internal assessments against inspection criteria and best practice.

In 2009/10 the Council introduced a process to help manage and monitor the various recommendations of the External Auditors, Governance Statement and Internal Auditors; the latter in respect of corporate improvements. A Corporate Governance Action Plan has been produced and progress is reported to both CMT and the Corporate Governance Committee

The Corporate Governance Committee reviewed governance arrangements in June 2009. A plan was created to address the weaknesses identified and to ensure continuous improvement of the Council's governance arrangements is in place.

In 2009/10 a new inspection regime was introduced. The Comprehensive Area Assessment (CAA) consists of both an Area Assessment and Organisational Assessment. The Area Assessment examines how well LSP partners work together to identify and address the major issues within the area. The Organisational Assessment is an inspection of individual authorities and assesses the results of both Use of Resources and Managing Performance assessments to provide an overall rating. Taunton Deane Borough Council's assessment was: "performs adequately"

Significant governance issues

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

This is a departure from previous years and can be put down to the Council's focus on issues surrounding the implementation of SAP. Staff across the Council have experienced problems with using elements of the SAP system. This has led to the Council having to work around the system in some areas and putting a great deal of time and effort, in trying to cope with the work arounds. This has caused major disruption in some areas and had an adverse impact on the audit opinions given to some operation reviews.

Although generally at a service level the operational reviews undertaken by Internal Audit identified few weaknesses the one overriding theme that emerged was that of staff and managers lack of confidence in SAP. This was particularly noticeable in the areas of budget monitoring. The problems the Council experienced during the implementation of SAP in respect of the payment of invoices, the raising of and collection of monies owed to the Council have had a significant effect on services.

However, the internal auditors were pleased to find that the Council has been actively monitoring the SAP issues through to completion and that managers have already taken action to deal with these issues or have agreed action plans timetabling improvements to the Council's internal control framework. The auditors were also pleased to see that the Council has been open with staff surrounding these issues ensuring that confidence in the use of the system can be restored.

During 2009/10 the Council created a Corporate Governance Action Plan to manage the improvements identified by the following:

- Internal Review of the Council's Governance Framework
- External Audit and inspection including Use of Resources Assessment 2008/09
- Internal Audit Corporate Governance Reviews

Implementation is progressing well and the actions are summarised as follows:

Corporate Governance

- Improve the Council's disaster recovery arrangements
- Strengthen the Council's Scrutiny function by publishing an annual report and implementing recommendations from the IDeA Peer Review
- Standards Committee to adopt a more proactive role in promoting ethical behaviour
- Improve quality assurance methods of year end performance data and implement actions from Data Quality Strategy
- Improve the Council's Equalities and Diversity processes
- Improve benchmarking and Value For Money arrangements
- To develop the Council's Asset Management arrangements
- Implement improvements following the external auditors Use of Resources Assessment 2009/10

- Continue with the new Corporate Governance Review Group to identify further areas of Corporate Governance requiring improvement

Managing Finances

- Provide greater focus on the medium term when setting the 2011/12 budget, ensuring there is adequate public consultation during preparation
- To review the operation of SAP to ensure that the internal control framework is adequate in the light of the work arounds and audit work during 2009/10.

Partnership Working

- Strengthen corporate governance arrangements of partnerships through a members and officers task and finish group with aim of creating a partnerships register, reviewing attendance and objectives
- To ensure the Council realises benefits from the transformation projects and Southwest One partnership. The Council will continue to ensure that it manages risks which arise from these developments and will ensure that our governance arrangements continue to be fit for purpose.

Service Improvement

- Continue to address the issues relating to the Housing Inspection
- Ensure the Council maintains focus on continued improvement of services for the community during the period of structural change

Workforce Planning

- Prepare a workforce Development Plan
- Analyse results of staff survey and identify improvements
- Continue to monitor progress in reducing sickness absence rates

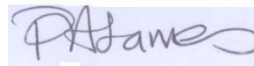
The Council proposes over the coming year to take steps to address the above matters to further enhance our governance arrangements and regularly report back to the Corporate Governance Committee on progress being made. We are satisfied that these steps will address the need for improvements that were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



Signed:

John Williams

Leader of the Council



Signed:

Penny James

Chief Executive

Foreword by the Section 151 Officer

A SUMMARY OF THE COUNCIL'S FINANCIAL PERFORMANCE – 2009/10

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

THE FINANCIAL STATEMENTS

The main Statements contained within this booklet comprise the following core financial statements:

- Income and Expenditure Account – this brings together details of the Council's day-to-day revenue spending and income on its services.
- Statement of Movement on the General Fund Balance – this summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.
- Statement of Total Recognised Gains and Losses – this brings together all the gains and losses of the Council for the year and shows the aggregate decrease in its net worth.
- Balance Sheet – this provides a snapshot of the Council's financial position at 31 March and sets out what is owned and what is owed.
- Cash Flow Statement – this shows the headings that the Council has spent and received cash on during the year.
- Notes to the Core Financial Statements – these notes provide supplemental information on some of the figures contained within the primary statements.

IMPORTANT DEVELOPMENTS

Core Council Review

During 2009/10 the Council continued with its proposals to fundamentally change the structure and ways of working at all levels within the Core Council. A thematic working model continued to be introduced, and the final phases will be implemented during 2010/11 and 2011/12. The proposals will continue to deliver significant savings to the organisation, and will create a structure that is fit for purpose and will deliver our vision.

Southwest One

During 2007/08 the Council created its strategic joint venture partnership with Somerset County Council (SCC), Avon and Somerset Police and IBM to improve the access to and delivery of services to our customers – called Southwest One. The partnership started delivering support and transactional services to this Council and SCC in 2007/08.

During 2009/10, a new financial system was introduced as part of our transformation programme being delivered in partnership with Southwest One. The new system provides the foundation for a number of improvements and efficiencies in the coming years. This has been an extremely complex implementation, bringing together business processes across the partners and has introduced a number of new ways of working. Through the initial period of implementation there were problems with using some elements of the new system, causing disruption in some areas. However, these problems have been addressed and in 2010/11 the system will be fully functional - which will help us be the more efficient organisation we strive to be.

Project Taunton

2009/10 saw the completion of the works at Somerset Square to give Taunton a brand new public space. Work with St Modwens, our development partner for Firepool, progressed with some on site preparation works – the demolition of the old buildings and the upgrading of the old auctioneer's building as a marketing suite. Planning work also progressed on the other sites within the Project Taunton remit, despite the recession.

FINANCIAL OVERVIEW

There has been one significant change to accounting policies related to the Collection Fund – the fund this Council maintains to collect and then redistribute Council Tax and National Non-Domestic Rates (Business Rates) – and the 2008/09 comparative figures have been restated as detailed in Note 1 to the Core Financial Statements.

Although the Income and Expenditure Account shows a deficit of £2.4million, this arises predominantly from entries made under proper accounting practices that are subsequently reversed in the Statement of Movement on General Fund Balance, resulting in a very small net reduction of £10,000 to General Balances.

Revenue Expenditure – General Fund

In February 2009 this Council agreed the 2009/10 budget at £14.213million. This resulted in a Band D Council Tax of £131.89 which was a nil increase over the previous year. During the year supplementary estimates totalling £174k were approved primarily to cover restructuring costs through the Core Council Review.

The outturn for 2008/09 was £14.397million, a reported overspend of just £10k (0.07%) compared to the current approved budget. The overall balance on the General Fund at 31 March 2010 is now £1.564million. The authority has consolidated into its revenue account the necessary adjustments related to pension costs required to make the accounts compliant with FRS 17 (see Pensions commentary below).

Details of spending on services, interest costs and the income which funds this spending is shown within the Income and Expenditure Account.

Revenue Expenditure – Housing Revenue Account (HRA)

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

The outturn on the account was a deficit of £111k in 2009/10; this was £924k (89.3%) lower than predicted. Consequently, the balance on the Housing Revenue Account carried forward into 2010/11 is now £2.757m.

Pensions

The Council's share of the overall pension fund deficit increased from £33.5m at 31 March 2009 to £61.5m at 31 March 2010. The deficit has increased by some 84%, which is largely due to the loss on the actuarial valuation of future pension obligation. This is a real liability, which has resulted from pension entitlement earned by employees. However, the results for this show that the valuation of the liability can be extremely sensitive to market conditions on 31 March each year. It appears in the Council's Balance Sheet but any immediate impact on levels of Council Tax is neutralised by a matching Pensions Reserve. Funding of the deficit will be met in future years by a combination of increased contributions and changes in the value of the Pension Fund. Actuarial valuations are made every three years and these will guide the Council in addressing the amount of the deficit.

Capital Spending In 2009/10

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.

Total capital expenditure in the year was £9.704m (£13.934m in 2008/09), compared to a total budget of £13.211m. The Housing Revenue Account programme was underspent by £1.582m (as a result of slippage) whilst the General Fund programme showed a reported underspend of £1.925m related predominantly to a slow down in demand for housing capital grants and slippage on play schemes. Funding for slippage on both programmes will be carried forward into the following financial year until the project is complete (thereby ensuring that overall the programme as a whole remains affordable).

Included within the total capital expenditure was Housing capital expenditure of £5.640m (£6.934m in 2008/09), of which £5.142m was spent on council properties; and £0.498m on Renewal Grants, grants to Housing Associations, and other social housing initiatives. During 2009/10, 7 dwellings were sold compared to 6 in the previous year.

The remaining £4.064m of capital expenditure was invested in on-housing projects during the year. This included £3.33m on land and property purchases and infrastructure works related to Project Taunton; £0.36m on play areas and equipment; £0.2m on information technology; with the balance on other minor schemes.

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

Treasury Management

At 31 March 2010, the Council held investments of £8.8m (£5.3m in 2008/09). The return on these investments included in the revenue accounts amounted to £0.17m (£0.93m in 2008/09).

Total borrowing amounted to £16.4m at 31 March 2010 (£15.2m in 2008/09), of which £7.0m (including accrued interest) is repayable in 2010/11. The cost of borrowing and management of debt charged to the revenue accounts during 2009/10 was £0.66m (£1.21m in 2008/09).

Although proactive treasury management continues to ensure that the Council minimises its interest payable on external borrowings, and invests any temporary cash surpluses to generate investment income, the net impact of this continues the trend from the previous financial year and remains low given the current historically low level of interest rates.

LOOKING AHEAD...

For 2010/11 the Council received a 2.17% increase in the Local Government Finance Settlement grant. Following this the Council agreed the 2010/11 budget of £14.52million in February 2010, resulting in an unchanged Band D Council Tax of £131.89.

Savings generated by the Council throughout the 2010/11 budget process have allowed the Council to add several items of new growth into its budget. Although the Council has worked hard to reduce costs in light of the current economic climate and the desire to minimise the impact on residents in Taunton Deane, the Council has been able to increase spend in some existing and new areas:

- Year 2 of the phased roll-out of enhanced recycling service (plastics and cardboard)
- New fund to tackle rural deprivation
- New budget to support youth initiatives in the borough
- New budget to support tree planting

The forecast for future years shows a budget gap of around £1.3m for 2011/12 and thereafter. Since the budget for 2010/11 was set there has been a change in government, and there is a clear priority to reduce the national debt. The Government will complete their Spending Review in the Autumn of 2010, and local authorities are bracing themselves for potentially significant cuts in central funding along with pressure to restrict Council Tax increases for the foreseeable future. The Council will have to continue to look for savings and review the potential for income generation in response to the Spending Review outcome.

Our Focus

We will focus on our 4 new Corporate Priorities (Tackling Deprivation, Regeneration, Affordable Housing and Climate Change).

We will continue to work with all partners and Somerset Councils in to review how we provide services and to share resources wherever possible.

We will continue the organisational restructure during 2010/11 to ensure the Council is fit for the future.

We will complete the roll-out of enhanced kerbside collection of recycling materials during 2010/11.

FURTHER INFORMATION

Summarised information from these accounts can also be found in the Council's Annual Report. Further information on the contents of these statements, easy to read summary versions and additional copies of this booklet can be obtained from:

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Telephoning: (01823) 358698

E-mail to: m.hammond@tauntondeane.gov.uk

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the council's transactions for the 2009/10 financial year and its position at the year-end of 31 March 2010. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

2. 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:

- Fees, charges and rents due from customers are accounted for as income at the date the council provides the relevant goods or services.
- 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 stocks on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for 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 income 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Provisions

Provisions are made where an event has taken place that gives the council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. 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.

Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

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 revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

4. Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate

service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and that do not represent usable resources for the council – these reserves are explained in the relevant policies below.

5. Government Grants and Contributions (Revenue)

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (eg Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

6. Retirement Benefits

Employees of the council are members of the Local Government Pensions Scheme, administered by Somerset County Council.

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

- The liabilities of the Somerset County Council pension scheme attributable to the council are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on the Merrill Lynch Non Gilt Sterling AA Over 15 year Corporate Bond Index.
- The assets of the Somerset County Council 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
 - unlisted securities – current bid price
 - property – market value.
- The change in the net pensions liability is analysed into seven components:
 - current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of 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 Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
 - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account

- expected return on assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account
- gains/losses on settlements and curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses
- contributions paid to the Somerset County Council pension fund – cash paid as employer's contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund 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 Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

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.

7. VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

8. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2008 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

9. Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the council (e.g. software licences) is capitalised when it will bring benefits to the council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the

investment to reflect the pattern of consumption of benefits. For revaluation, disposals and impairment see the accounting policies shown under tangible fixed assets.

10. Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the council and the services that it provides are for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (eg repairs and maintenance) is charged to revenue as it is incurred.

Measurement: assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value
- dwellings, other land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use
- infrastructure assets and community assets – depreciated historical cost.

Net current replacement cost is assessed as:

- non-specialised operational properties – existing use value
- specialised operational properties – depreciated replacement cost
- investment properties and surplus assets – market value.

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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: the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals: when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

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

Depreciation: depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the life of the property as estimated by the valuer
- vehicles, plant 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 asset has major components with different estimated useful lives, these 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.

Grants and contributions: where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account.

The balance is then written down to revenue to balance depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

11. Charges to Revenue for Fixed Assets

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

- depreciation attributable to the assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- amortisation of intangible fixed assets attributable to the service.

The council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance, or loans fund principal charges). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

12. Revenue Expenditure Funded from Capital under Statute

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

13. Leases

Finance Leases

The council has not entered into any finance leases.

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

14. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

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

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The council has a policy of spreading the gain/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 Income and Expenditure Account 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 Statement of Movement on the General Fund Balance.

15. 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. The Council has no material holdings of available-for-sale assets.

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account 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 and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

However, the council has made loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Income and Expenditure Account to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

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 Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

Instruments Entered Into Before 1 April 2006

The council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in 3 Provisions above.

16. Stocks and Work in Progress

Stocks are included in the Balance Sheet at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

17. Interests in Companies and Other Entities

The council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the council's own single-entity accounts, the interests in companies and other entities are recorded as investments, i.e. at cost, less any provision for losses. The council's single-entity accounts also include its share of the assets, liabilities and cash flows of JANEs (Joint Arrangement that is Not an Entity).

18. The Collection Fund

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and national non-domestic rates (NNDR). Further details on the Collection Fund use can be found on page 53.

19. Accounting for Council Tax

Up until 2008/09, the SORP required the Council Tax income included in the Income and Expenditure Account to be the amount that under regulation was required to be transferred from the Collection Fund to the General Fund of the Council.

The difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the Collection Fund shall be taken to the Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance.

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

The Council Tax income included in the Income & Expenditure Account for the year shall be the accrued income for the year. This is calculated by taking the demand on the Collection Fund plus the authority's share of the carry forward surplus/deficit on the Collection Fund as at the 31 March 2010. This amount is then adjusted for the authority's share of the surplus/deficit of 31 March 2009 that has not been distributed or recovered in the current year.

20. Accounting for National Non-Domestic Rates

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

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



Independent auditor's report to Members of Taunton Deane Borough Council

The auditor's report will appear here in due course

Auditor's report – continued

Auditor's report – continued

Income and Expenditure Account

	2008/09		2009/10	
	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000	£'000
Central services to the public	868	8,087	7,072	1,015
Cultural, environmental and planning services	12,985	17,331	6,638	10,693
Highways, roads and transport services	(674)	4,187	4,993	(806)
Local authority housing (HRA)	36,252	20,030	21,473	(1,443)
Other housing services	3,285	28,434	26,536	1,898
Corporate and democratic core	1,548	1,330	8	1,322
Non distributed costs	426	530	5	525
Net Cost of Services	54,690	79,929	66,725	13,204
(Profit)/loss on disposal of fixed assets	(66)			410
Parish council precepts	401			433
(Surplus) Deficits on trading activities not included in net cost of services	29			(268)
Interest payable and similar charges	1,209			658
Contribution of housing capital receipts to government pool	214			416
Interest and investment income	(930)			(603)
Pensions interest cost and expected return on pensions assets	1,580			2,379
Net Operating Expenditure	57,127			16,629
Demand on the Collection Fund	(5,609)			(5,675)
Central government grants	(1,045)			(1,624)
Non domestic rates	(7,346)			(6,935)
Deficit for the Year	43,127			2,395

Statement of Movement on the General Fund Balance

The Income and Expenditure Account shows the council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last 12 months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

	Note	2008/09 £'000	2009/10 £'000
Deficit for the Year on the Income and Expenditure Account		43,127	2,395
Net Additional Amount Required by Statute and Non – Statutory Proper Practices to be Credited to the General Fund	10	(44,056)	(2,385)
(Increase) / Decrease in General Fund Balance for the Year		(929)	10
General Fund Balance Brought Forward		(645)	(1,574)
General Fund Balance Carried Forward		(1,574)	(1,564)

Statement of Recognised Gains and Losses

This statement brings together all the gains and losses of the council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

	Note	2008/09 £'000	2009/10 £'000
Deficit for the Year on the Income and Expenditure Account		43,127	2,395
(Surplus) / Deficit Arising on revaluation of fixed assets		10,460	(30,254)
Actuarial losses on Pension Fund assets and liabilities		8,680	25,412
Total Recognised (Gains) / Losses for the Year		62,267	(2,447)
Prior Period Adjustment (see Note 1)		(4)	
Total gains and losses recognised since published Statement of Accounts for 2008/09		62,263	

Balance Sheet

	Note	31 March 2009 (Restated)		31 March 2010	
		£'000	£'000	£'000	£'000
Fixed Assets					
Intangible Fixed Assets	11		1,183		923
Tangible Fixed Assets					
Operational Assets:					
Council Dwellings	12		279,736		300,442
Other Land and Buildings	12		56,129		63,370
Vehicles, Plant and Equipment	12		1,125		3,034
Infrastructure Assets	12		10,419		10,514
Community Assets	12		3,461		4,156
Non-Operational Assets:					
Investment Properties	13		14,431		16,552
Assets under construction	13		1,894		1,339
Surplus Assets held for disposal	13		188		188
			<u>368,566</u>		<u>400,518</u>
Other Long Term Assets					
Long-term Investments			3		3
Long-term Debtors	21		157		176
Total Long-term Assets			<u>368,726</u>		<u>400,697</u>
Current Assets					
Stocks and Works in Progress			193		169
Debtors	22		6,378		10,954
Investments			5,300		8,600
Cash and Bank			844		807
			<u>12,715</u>		<u>20,530</u>
Total Assets			<u>381,441</u>		<u>421,227</u>
Current Liabilities					
Borrowing Repayable within 12 months	24		(6,203)		(6,985)
Creditors	23		(8,868)		(13,742)
			<u>(15,071)</u>		<u>(20,727)</u>
Total Assets less Current Liabilities			<u>366,370</u>		<u>400,500</u>
Borrowing Repayable beyond 12 months	24		(9,000)		(9,404)
Government Grants Deferred	25		(7,420)		(10,742)
Net Liability related to Pension Scheme	40		(33,497)		(61,454)
			<u>(49,917)</u>		<u>(81,600)</u>
Total Assets less Liabilities			<u>316,453</u>		<u>318,900</u>
Financed by:					
Revaluation Reserve	26		2,548		32,582
Capital Adjustment Account	27		335,196		334,158
Financial Instruments Adjustment Account	28		(156)		(117)
Collection Fund Adjustment Account			(138)		(143)
Unapplied Capital Receipts	29		614		760
Earmarked Reserves	30		7,555		8,903
Pension Reserve	32		(33,497)		(61,454)
Fund Balances					
General Fund			1,574		1,564
Housing Revenue Account			2,757		2,647
			<u>316,453</u>		<u>318,900</u>

Cash Flow Statement

	Note	2008/09 (Restated)		2009/10	
		£'000	£'000	£'000	£'000
Revenue Activities – Cash Outflows					
Cash Paid to and on Behalf of Employees		14,752		15,635	
Other Operating Cash Payments		27,981		25,620	
Housing Benefit Paid Out		18,274		21,694	
Payments to the Capital Receipts Pool		564		463	
			61,571		63,412
Revenue Activities – Cash Inflows					
Rents (after rebates)		(9,294)		(8,439)	
Council Tax income		(5,061)		(5,058)	
Non-Domestic Rate Receipts from National Pool		(7,346)		(6,346)	
Revenue Support Grant		(1,023)		(1,601)	
DWP grants for benefits		(29,047)		(32,445)	
Other government grants		(938)		(690)	
Cash received for goods & services		(14,383)		(12,403)	
			(67,092)		(66,982)
Revenue Activities – Net Cash Flow	48		(5,521)		(3,570)
Investment Returns & Servicing of Finance					
Interest Paid		1,309		685	
Interest Received		(1,294)		(751)	
			15		(66)
Capital Activities					
Cash Outflows					
Purchase of fixed assets		11,184		9,015	
Other capital cash payments		1,323		442	
Cash Inflows					
Sale of fixed assets		(508)		(563)	
Capital grants received		(4,778)		(6,957)	
			7,221		1,937
Net Cash Flow Before Financing			1,715		(1,699)
Management of Liquid Resources					
Net Increase / (Decrease) in Short-term Investments			(8,501)		3,300
Net Decrease in other liquid resources			(1,486)		(351)
Financing - Cash outflows					
Repayment of amounts borrowed		14,057		6,000	
Financing - Cash inflows					
New loans raised		(6,000)		(7,213)	
			8,057		(1,213)
Net (Increase) / Decrease in Cash			(215)		37

Notes to the Core Financial Statements

1. Changes in Accounting Policies and Restatement of 2008/09 Financial Statements

In order to comply with the 2009 SORP the Council has made changes to its accounting policies as follows:

- The SORP defines the Council's role as a billing authority as that of an agent. This means that Council Tax transactions relating to major preceptors are no longer included in the Council's accounts.
- The SORP confirms that the Council collects National Non-Domestic Rates (NNDR) as an agent on behalf of central government. This means that transactions relating to the collection of NNDR are no longer included in the Council's accounts.

The 2008/09 Financial Statements have been restated as follows to reflect these changes, as demonstrated in the following extracts from the Core Financial Statements.

	2008/09	2009/10	
	Net Expenditure before Adjustment (not published) £'000	Net Expenditure £'000	Net Expenditure £'000
Income & Expenditure Account extracts			
Demand on the Collection Fund	(5,646)	(5,609)	(5,675)
Deficit for the Year	43,090	43,127	2,395
Statement of Movement on General Fund Balance extracts			
Deficit for the Year on the Income and Expenditure Account	43,090	43,127	2,395
Net Additional Amount Required by Statute and Non – Statutory Proper Practices to be Credited to the General Fund	(44,019)	(44,056)	(2,385)
(Increase) / Decrease in General Fund Balance for the Year	(929)	(929)	10
	31 March 2009 before Adjustment (not published) £'000	31 March 2009 £'000	31 March 2010 £'000
Balance Sheet extracts			
Debtors	7,280	6,378	10,954
Creditors	(9,770)	(8,868)	(13,742)
Total Assets less Liabilities	316,453	316,453	318,900
Collection Fund Adjustment Account	0	(138)	(143)
Collection Fund	(138)	0	0
Total Net Worth	316,453	316,453	318,900
Statement of Total Recognised Gains & Losses extracts			
Total Recognised (Gains)/Losses	62,263	62,267	(2,447)
Prior Year Adjustment (see Note 1)		(4)	
Total gains and losses recognised since published Statement of Accounts for 2008/09		62,263	

2. Long Term Contracts

Taunton Deane Borough has entered into the following long-term contracts for the provision of some of its core services.

Contractor	Services Provided	Date of Expiry of Contract	Payments	Ongoing
			2009/10 £'000	Commitment £'000
Tone Leisure	Leisure Services	July 2019	556	5,189
Somerset Waste Partnership	Refuse Collection and Recycling Services	October 2014	2,684	12,302
Southwest One	Support Services	September 2017	4,811	36,082
Total			8,051	53,573

3. Summary Trading Operations

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

Building Maintenance DLO

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

Highways DLO

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

Grounds Maintenance DLO

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

Cleansing DLO

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

Deane Helpline

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

The results of these five trading operations are summarised as follows:

	2008/09			2009/10		
	Turnover £'000	Expense £'000	Surplus/ (Deficit) £'000	Turnover £'000	Expense £'000	Surplus/ (Deficit) £'000
Building Maintenance	4,010	3,919	91	4,450	4,124	326
Highways	834	839	(5)	768	757	11
Grounds Maintenance	2,980	3,068	(88)	2,980	2,963	17
Cleansing	770	791	(21)	673	670	3
Net DLO Surplus / (Deficit)	8,594	8,617	(23)	8,871	8,514	357
Deane Helpline	904	910	(6)	853	942	(89)
Net Trading (Deficit)	9,498	9,527	(29)	9,724	9,456	268

4. Agency Services

The council carries out work under agency arrangements with Somerset County Council (SCC) on Highways Horticultural Maintenance and Decriminalised Parking Enforcement. Costs for 2009/10 were £92,000 (2008/09 £96,000) for Horticultural Maintenance, and £396,000 (2008/09 £468,000) for DPE of which £56,000 (2008/09 £55,000) and £370,000 (2008/09 £438,000) was reimbursed respectively.

5. Members Allowances

The total allowances paid to Members of the Council during the year were £317,000 (£321,000 in 2008/09).

6. Officers Emoluments

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

Remuneration Band	2008/09 Number of Employees	2009/10 Number of Employees
£50,000-£54,999	6	6
£55,000-£59,999	2	6
£60,000-£64,999	0	4
£65,000-£69,999	1	5
£70,000-£74,999	2	1
£75,000-£79,999	2	1
£80,000-£84,999	1	0
£85,000-£89,999	0	3
£90,000-£94,999	1	0
£105,000-£109,999	1	0
£120,000-£124,999	1	1

Details of the emoluments of Senior Officers whose salary is between £50,000 and £150,000 per year were:

Post Title	Salary £	Benefits in Kind £	Total remuneration excluding pension contributions £	Pension Contributions £	Total remuneration including pension contributions £
2009/10					
Chief Executive	100,786	5,582	106,638	15,047	121,685
Strategic Director – A	71,391	3,631	75,022	11,260	86,282
Strategic Director – B (see Note)	36,315	3,958	40,273	12,507	52,780
Strategic Director – C	71,391	3,983	75,374	10,786	86,160
Strategic Director – D	71,641	3,576	75,217	10,823	86,040
Head of Legal & Democratic Services	57,091	240	57,331	8,655	65,986
Head of Client & Performance	57,796	5,575	63,371	8,574	71,945
Head of Strategy	52,796	319	53,115	7,702	60,817
Head of Growth & Development	50,454	2,907	53,361	7,555	60,916
Head of Community Services	52,652	1,621	54,273	7,704	61,977
2008/09					
Chief Executive	100,786	5,385	106,171	15,017	121,188
Strategic Director – A	69,606	4,597	74,203	10,924	85,127
Strategic Director – B	74,960	4,553	79,513	11,169	90,682
Strategic Director – C	69,606	6,859	76,465	10,485	86,950
Strategic Director – D	59,529	247	59,776	8,864	68,640
Head of Legal & Democratic Services	56,415	247	56,662	8,257	64,919

Note : On Maternity Leave since August 2009

7. Related Parties Transactions

The Authority is required to provide details of all transactions that arose during the year, with related parties, in addition to those transactions detailed elsewhere in the Statement of Accounts; for example precepts paid which are shown in the Collection Fund (page 74) and Government grants received (page 71) which are shown in the Cash Flow Statement. These relationships do not necessarily constitute any risk to the Council, and are disclosed purely on the basis of materiality and as required by Council Standing Orders. During 2009/10, works and services to the value of £445,000 (2008/09 £1,058,000) were commissioned from companies in which seven (2008/09 six) Members had an interest. In conducting enquiries into related parties, the Authority also recognises the relationships that exist between some Members / Council Officers and other local organisations such as charities, public / private organisations and other local authorities; and acknowledges the potential need for future disclosure of detail of these relationships.

8. Audit Fees

In 2009/10 Taunton Deane Borough Council incurred the following fees relating to external audit and inspection.

	31 March 2009 £'000	31 March 2010 £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	106	93
Fees payable to the Audit Commission for the certification the certification of grant claims and returns	51	60
Fees payable in respect of other services provided by the appointed auditor	1	0
Total	158	153

9. General Government Grants

	2008/09 £'000	2009/10 £'000
Revenue Support Grant	1,023	1,601
Area Based Grant	22	23
Total	1,045	1,624

10. Statement of Reconciling Items for the Statement of Movement on the General Fund Balance

	2008/09		2009/10	
	£'000	£'000	£'000	£'000
Amounts included in the Income and Expenditure Account but required by statute to be excluded when Determining the Movement on the General Fund Balance for the Year				
Depreciation, Amortisation and Impairment of Fixed Assets	(41,577)		(2,197)	
Revenue expenditure funded from capital under statute	(1,322)		(441)	
Government Grants Deferred Amortisation	241		209	
Net Profit /(Loss) on Sale of Fixed Assets	66		(410)	
Differences between amounts debited/credited to the Income & expenditure Account and amounts payable/receivable under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt	5		39	
Net Charges made for Retirement Benefits in accordance with FRS17	(4,605)		(4,904)	
Differences between amounts credited to the Income & expenditure Account and amounts taken to the General Fund in accordance with regulation relating to Council Tax Income	(37)		(5)	
		(47,229)		(7,709)
Amounts not included in the Income and Expenditure Account but required to be included by statute when Determining the Movement on the General Fund Balance for the Year				
Minimum Revenue Provision	276		364	
Capital Expenditure financed from the General Fund	2,232		1,779	
Transfer from Usable Capital Receipts to meet Housing Contribution to Government Pool	(214)		(416)	
Employer's contributions payable to the Somerset County Council Pension Fund and Retirement Benefits payable Direct to Pensioners	2,239		2,359	
		4,533		4,086
Transfers to or from the General Fund Balance that are required to be taken into account when Determining the Movement on the General Fund Balance for the Year				
Housing Revenue Account Surplus	(289)		(110)	
Net Transfer to or from Earmarked Reserves	(1,071)		1,348	
		(1,360)		1,238
Net Additional Amount required to be credited to the General Fund Balance for the Year		(44,056)		(2,385)

11. Movement of Intangible Fixed Assets

	£'000
Gross Book Value at 1 April 2009	2,093
Additions	101
Gross Book Value at 31 March 2010	2,194
Less:	
Accumulated Amortisation at 1 April 2009	(910)
Amortisation for year	(361)
Accumulated Amortisation at 31 March 2010	(1,271)
Net Book Value at 31 March 2010	923
Net Book Value at 31 March 2009	1,183

Intangible assets solely relate to software.

12. Movement of Tangible Fixed Assets - Operational

	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equipment	Infrastructure Assets	Community Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book Value at 1 April 2009	279,736	57,829	2,069	10,917	3,538	354,089
Additions	4,696	184	470	245	695	6,290
Disposals	(972)	0	0	0	0	(972)
Reclassifications	0	197	1,894	0	0	2,091
Revaluations	17,070	6,371	0	0	0	23,441
Impairments	(88)	(232)	0	0	0	(320)
Gross Book Value at 31 March 2010	300,442	64,349	4,433	11,162	4,233	384,619
Less:						
Accumulated Depreciation at 1 April 2009	0	(1,700)	(944)	(498)	(77)	(3,219)
Depreciation for year	(3,704)	(907)	(455)	(150)	0	(5,216)
Depreciation on disposals	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Depreciation written out on revaluations	3,704	1,628	0	0	0	5,332
Accumulated Depreciation at 31 March 2010	0	(979)	(1,399)	(648)	(77)	(3,103)
Net Book Value at 31 March 2010	300,442	63,370	3,034	10,514	4,156	381,516
Net Book Value at 31 March 2009	279,736	56,129	1,125	10,419	3,461	350,870

13. Movement of Tangible Fixed Assets – Non-Operational

	Investment Properties	Assets under Construction	Surplus Assets held for Disposal	Total
	£'000	£'000	£'000	£'000
Gross Book Value at 1 April 2009	14,431	1,894	188	16,513
Additions	843	1,339	0	2,182
Disposals	0	0	0	0
Reclassifications	(197)	(1,894)	0	(2,091)
Revaluations	1,480	0	0	1,480
Impairments	(5)	0	0	(5)
Gross Book Value at 31 March 2010	16,552	1,339	188	18,079
Less:				
Accumulated Depreciation at 1 April 2009	0	0	0	0
Depreciation for year	0	0	0	0
Reclassifications	0	0	0	0
Depreciation written out on revaluations	0	0	0	0
Accumulated Depreciation at 31 March 2010	0	0	0	0
Net Book Value at 31 March 2010	16,552	1,339	188	18,079
Net Book Value at 31 March 2009	14,431	1,894	188	16,513

14. Fixed Asset Valuation

The following statement shows the progress of the council's rolling programme for the revaluation of fixed assets. The valuations are carried out by the Council's Valuation & Estates Officer, Mr A Priest, FRICS. The basis for valuation is set out in the statement of accounting policies.

	Council Dwellings £'000	Other Land & Buildings £'000	Investment Properties £'000	Surplus Assets held for Disposal £'000	Total £'000
Valued at Historical Cost	0	162	1,207	0	1,369
Valued at Current Value at:					
1 April 2006	0	6,551	0	0	6,551
1 April 2007	0	7,933	0	0	7,933
1 April 2008	0	5,763	67	188	6,018
1 April 2009	0	25,415	15,278	0	40,693
31 March 2010	300,442	18,525	0	0	318,967
Total	300,442	64,349	16,552	188	381,531

15. Depreciation

Tangible operational fixed assets are depreciated as follows:

Council Dwellings	Major Repairs Allowance is used as a reasonable estimate for depreciation
Other Land & Buildings	Depreciated on a straight line basis over useful lives of up to 52 years
Vehicles Plant & Equipment	Depreciated on a straight line basis over useful lives of between 1 and 10 years
Infrastructure	Depreciated on a straight line basis over useful lives of between 3 and 42 years
Community assets	Not depreciated

16. Capital Commitments

The council is committed to a number of Housing contracts for expenditure of a capital nature. The contractual commitment at 31 March 2010 amounted to £3.55 million.

Within the General Fund the authority has budgeted for ongoing capital projects and has contractual commitments at 31 March 2010 of £1.45 million.

17. Information on Assets Held

	31 March 2009	31 March 2010
Housing Revenue Account		
Houses	3,050	3,030
Flats	2,074	2,072
Bungalows	875	875
Bed sits	57	57
Maisonettes	40	40
Hostels / Community Houses	4	4
Garages	1,504	1,504
Shops	26	26

31 March 2009 31 March 2010

General Fund

Allotments – Number (Hectares)	8 (18h)	8 (18h)
Car Parks	27	27
Crematorium	1	1
Depots	1	1
Golf Course	1	1
Leisure Centres & Swimming Pools	5	5
Nursery	1	1
Offices	5	5
Public Conveniences	19	19

Community Assets

Cemeteries	4	4
Public Open Spaces	97	97
Public Parks	4	4
Public Playing Fields	6	6
Other Land and Public Spaces	4	4

Non- Operational Assets

Industrial Units	4	4
Other Commercial Land and Properties	45	45

18. 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. Such expenditure is classified as Revenue Expenditure funded from Capital under Statute and charged as expenditure to the relevant service revenue account; it is subsequently reversed in the Statement of Movement on the General Fund Balance by a transfer from the Capital Adjustment Account. This represents a change in accounting policy; previously such expenditure was classified as Deferred Charges. The table below summarises the expenditure.

	2008/09 £'000	2009/10 £'000
Capital Grants		
Social Housing Grant	854	265
Disabled Facilities Grant	540	504
Improvement Grants	323	5
Local Clubs and Organisations Grants	115	74
Other Grants	63	10
	1,895	858
Expenditure on Council Projects		
Project Taunton	438	204
Waste Initiative	61	70
Transformation Project	54	0
Other	14	0
Total	2,462	1,132

19. Financing of Capital Expenditure

	2008/09		2009/10	
	£'000	£'000	£'000	£'000
Opening Capital Finance Requirement (CFR)		21,344		23,402
Capital Expenditure				
Council Dwellings	5,045		4,696	
Other Land & Buildings	814		184	
Vehicles, Plant & Equipment	590		470	
Infrastructure	1,067		245	
Community Assets	0		695	
Intangible Assets	134		101	
Investment Properties	1,928		843	
Assets under Construction	1,894		1,339	
Revenue Expenditure funded from Capital under Statute	2,462		1,132	
		13,934		9,705
Sources of Finance				
Revenue Contributions to Capital	(2,232)		(1,782)	
Minimum Revenue Provision	(276)		(364)	
Capital Receipts	(870)		0	
Capital Grants	(4,968)		(4,220)	
Major Repairs Allowance	(3,530)		(3,704)	
		(11,876)		(10,070)
Closing Capital Finance Requirement		23,402		23,037

20. Interests in Companies

The following shareholdings are included in Long-Term Investments:

Company	Nature of Business	Investment £
SouthWest One Limited	Public Sector Multi-Agency Shared Services	500
Wessex Reinvestment Society Limited	Provision of Loans to Homeowners	250
Total		750

The shareholdings are not significant and are treated as simple investments.

21. Long-term Debtors

	31 March 2009	31 March 2010
	£'000	£'000
Sundry Mortgages	77	75
Car/Bike Loans to Employees	39	80
Somerset County Council Loan	1	1
Tone Leisure (SW) Ltd Loans	40	20
Balance at 31 March	157	176

Further information relating to long-term debtors is contained within Note 46 on Financial Instruments.

22. Debtors

	31 March 2009 £'000	31 March 2010 £'000
Government Departments	1,072	1,838
Council Tax Payers	235	200
Precepting Authorities – Collection Fund Deficit	1,915	1,562
Housing Rents	483	767
Sundry Debtors	3,936	7,508
Payments In Advance	9	477
	7,650	12,352
Less Provision for Doubtful Debts	(1,272)	(1,398)
Balance at 31 March	6,378	10,954

Where appropriate a provision for doubtful debts (shown above in brackets) is made to cover the credit risk associated with debtors. An explanation of credit risk is contained within Note 46 on Financial Instruments.

23. Creditors

	31 March 2009 £'000	31 March 2010 £'000
Government Departments	196	362
Commuted sums	1,711	1,633
Section 106 Agreements	1,196	1,078
Unapplied capital grants	1,740	5,288
Sundry Creditors	3,313	4,492
Receipts In Advance	712	889
Balance at 31 March	8,868	13,742

24. Borrowing

Long-term borrowing refers to loans which mature beyond 12 months from the balance sheet date.

	31 March 2009 £'000	31 March 2010 £'000
Loans by Type		
Public Works Loan Board	6,000	6,000
Other Financial Institutions	3,000	3,404
	9,000	9,404
Loans by Maturity		
Between 1 and 2 Years	0	404
Between 5 and 10 Years	2,000	2,000
More than 10 Years	7,000	7,000
	9,000	9,404

Short-term borrowing refers to loans that mature within 12 months.

	31 March 2009 £'000	31 March 2010 £'000
Loans by Type		
Public Works Loan Board	6,203	6,176
Other Financial Institutions	0	809
Balance at 31 March	6,203	6,985

Further information relating to borrowing is contained within Note 46 on Financial Instruments.

25. Government Grants Deferred

Government Grants Deferred relates to capital expenditure that has been financed by third party contributions, and therefore, despite the title, does not necessarily relate to government grants. The capital contribution is gradually amortised to the Income and Expenditure Account over the same period as the asset to which it relates is depreciated.

	31 March 2009 £'000	31 March 2010 £'000
Balance at 1 April	3,831	7,420
External contributions received towards fixed assets	3,830	3,531
Amortisation released to Income and Expenditure Account	(241)	(209)
Balance at 31 March	7,420	10,742

26. Revaluation Reserve

This reserve replaced the old Fixed Asset Restatement Account on 1st April 2007 and represents the net surplus on revaluations since that date.

	2008/09 £'000	2009/10 £'000
Balance at 1 April	13,047	2,548
Net Revaluation gains/(losses) on fixed assets	(10,460)	30,254
Depreciation adjustment to Capital Adjustment Account	(39)	(220)
Disposals of fixed assets	0	0
Balance at 31 March	2,548	32,582

27. Capital Adjustment Account

This account records the resources set aside to finance capital expenditure less the charges for the consumption of historic cost over the life of the asset over the period that the authority benefits from the expenditure.

	2008/09		2009/10	
	£'000	£'000	£'000	£'000
Balance at 1 April		374,774		335,196
Usable capital receipts applied	870		0	
Revenue contributions to capital	2,232		1,780	
Minimum revenue provision	276		364	
Release of government grants deferred	241		209	
Depreciation adjustment from Revaluation Reserve	39		220	
		3,658		2,573
Disposals of fixed assets	(337)		(972)	
Depreciation and impairment	(41,577)		(2,197)	
Revenue expenditure funded from capital under statute	(1,322)		(442)	
		(43,236)		(3,611)
Balance at 31 March		335,196		334,158

28. Financial Instruments Adjustment Account

This account holds the accumulated difference between the financing costs included in the Income and Expenditure Account and the accumulated financing costs required in accordance with regulations to be charged to the General Fund Balance.

	2008/09	2009/10
	£'000	£'000
Deficit Balance at 1 April	(160)	(156)
Adjustment re soft loans	(1)	1
Amortisation of premiums and soft loans	5	38
Deficit Balance at 31 March	(156)	(117)

29. Unapplied Capital Receipts

This reserve represents the usable proportion of the proceeds of fixed assets sales that remains available to meet future capital investment.

	2008/09			2009/10		
	Housing £'000	General £'000	Total £'000	Housing £'000	General £'000	Total £'000
Balance at 1 April	457	803	1,260	549	65	614
Receipts from sale of assets	408	30	438	562	0	562
Receipts applied to finance capital expenditure	(102)	(768)	(870)	0	0	0
Amount payable to the housing capital receipt pool	(214)	0	(214)	(416)	0	(416)
Balance at 31 March	549	65	614	695	65	760

30. Earmarked Reserves

These are general capital and revenue balances set aside for specific purposes. Details of movements on the major reserves are set out below.

	31 March 2009 £'000	Movement £'000	31 March 2010 £'000
Asset Management Reserve (Leisure)	581	43	624
Core Council Review Reserve	63	385	448
DLO Reserve Fund	507	62	569
General Fund Reserve for Future Financing of Capital	1,045	(207)	838
Growth Point Funding	239	(60)	179
Home Improvement Agency Reserve	192	0	192
Housing Enabling Reserve	783	0	783
HRA Reserve for Future Financing of Capital	765	383	1,148
HRA Heating Reserve	260	130	390
Insurance Fund	750	0	750
LABGI Reserve	496	(73)	423
Local Plan Inquiry General Reserve	262	34	296
Planning Delivery Grant Reserve	285	508	793
Other Earmarked Reserves	1,327	143	1,470
Total	7,555	1,348	8,903

31. Self Insurance Reserve

As at 31 March 2010, the Council has set aside £750,000 (2009 £750,000) within an earmarked reserve for self insurance in respect of property risks. The Stop Loss insurance policy for council dwellings has excesses of £50,000 per property and £250,000 per year.

32. Pension Reserve

	2008/09 £'000	2009/10 £'000
Deficit Balance at 1 April	(22,451)	(33,497)
Contribution from General Fund	(2,366)	(2,545)
Actuarial Loss	(8,680)	(25,412)
Deficit Balance at 31 March	(33,497)	(61,454)

33. Net Assets Employed

	31 March 2009 £'000	31 March 2010 £'000
General Fund	37,875	26,492
Housing Revenue Account	278,578	292,408
Total	316,453	318,900

34. Contingent Liabilities

Tone Leisure

During 2004/05 the Council created a Leisure Trust, Tone Leisure, to manage its leisure services on its behalf. The Council fully deficit funds the Leisure Trust. During the creation of the trust, Tone Leisure has

become an admitted body into the Somerset County Council Pension Fund and the Council has provided a guarantee that it will meet the employers' contributions due to the Pension Fund if the Trust were to fail to make the necessary payments. In addition if there were to be a deficit on the pension fund - attributable to Tone Leisure's employee pension entitlements at the date of termination of the Council's relationship with the Trust - then the Council would need to make good that deficit by increasing its own contributions to the Fund on an agreed basis. The deficit on the pension fund attributable to Tone Leisure at 31 March 2010 has not been included within the Council's main single entity financial statements and, as part of the Council's group accounts a share has been included in line with Group Accounting requirements. However, the amount disclosed, in compliance with the relevant accounting requirements, does not fully reflect the Council's overall potential liability in this matter, which amounts to approximately £1.934m.

Planning Issues

A decision has been made by the Legal & Democratic Services Manager in respect of a review of a certificate of lawful development on an area known as Creedwell Orchard. Although an application for leave for a judicial review was refused, there is an ongoing legal challenge through the Court. It is possible that an adverse decision could give rise to costs for the council.

Employment Tribunals

There are two cases currently subject to Employment Tribunals that may result in financial costs for the authority. A small group of staff have submitted an equal pay claim, and there is also a claim for unfair dismissal and disability discrimination. It is not possible to provide a reliable estimate of the potential cost should one or either of these cases to be found in favour of the claimants.

35. Leases

Finance Leases

No finance lease rentals were paid or new finance leases entered into during 2009/10. There were no assets held under finance leases as at 31 March 2010.

Operating Leases

The Council use certain plant and vehicles under the terms of operating leases. The amount paid under these arrangements in 2009/10 was £184,000 (2008/09 £178,000). The council has a commitment to make payments totalling £282,000 under operating leases for plant and vehicles as at 31 March 2010, comprising the following elements:

Leases expiring in	Amount £'000
2010/11	74
2011/12 to 2013/14	208

Authority as Lessor

The council has granted leases in respect of a number of properties (principally commercial premises and business units), which are treated as operating leases. Rental income in respect of these properties for 2009/10 totalled £597,000 (2008/09 £520,000).

The gross value of assets held for use in operating leases at 31 March 2010 was £12,193,000.

36. Trust Funds

The council acts as sole trustee for two charitable trust funds. In neither case do the funds or fixed assets belonging to the trust represent assets of the Council, and they have not been included within the Balance Sheet; however they are included in the Group accounts section on page 81 onwards. Details of these trusts are shown below:

Trust Name and Purpose	Income £'000	Expense £'000	Assets £'000	Liabilities £'000
Galmington Playing Field, Taunton – to improve the conditions of life for residents by the provision of a recreation ground	12	12	145	145
Greenway Playing Field Trust, Taunton – to improve the conditions of life for residents by the provision of a recreation ground	4	4	8	8
Total	16	16	153	153

37. Post Balance Sheet Events

There are no events occurring subsequent to the Balance Sheet date that require disclosure in these financial statements.

38. Approval Date

These financial statements were authorised for issue by the Corporate Governance Committee on 28 June 2010.

39. Financial Instruments

Financial Instruments Balances

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

	31 March 2009		31 March 2010	
	Long-term £'000	Current £'000	Long-term £'000	Current £'000
Investments				
Loans & Receivables	160	5,345	179	8,656
Included as:				
Long Term Investments	3	0	3	0
Long Term Debtors	157	0	176	0
Current Assets Investments	0	5,300	0	8,600
Current Assets Debtors	0	45	0	56
Total Investments	160	5,345	179	8,656
Borrowings				
Financial Liabilities at Amortised Cost	9,000	6,203	9,404	6,985
Included as:				
Borrowing repayable within 12 months	0	6,203	0	6,985
Borrowing repayable beyond 12 months	9,000	0	9,404	0
Total Borrowings	9,000	6,203	9,404	6,985

Financial Instruments Gains/Losses

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

	2008/09			2009/10		
	Financial Liabilities	Financial Assets	Total	Financial Liabilities	Financial Assets	Total
	Liabilities measured at amortised cost	Loans and receivables		Liabilities measured at amortised cost	Loans and receivables	
	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	(1,144)	0		(658)	0	
Losses on derecognition	(65)	0		0	0	
Interest payable and similar charges	(1,209)	0	(1,209)	(658)	0	(658)
Interest income	0	930		0	603	
Gains on derecognition	0	0		0	0	
Interest and investment income	0	930	930	0	603	603
Net gain/(loss) for the year	(1,209)	930		(658)	603	

Fair Value of Assets and Liabilities carried at Amortised Cost

Financial assets and liabilities represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments. For instruments maturing within twelve months or with variable interest rates the carrying amount is assumed to approximate to fair value. The fair values calculated are as follows

	31 March 2009		31 March 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Investments				
Loans & Receivables	5,505	5,505	8,831	8,831
Borrowings				
Financial Liabilities at Amortised Cost	15,203	18,446	16,389	19,157

Nature and Extent of Risks arising from Financial Instruments

The authority's activities expose it to a variety of financial risks:

Credit risk - the possibility that other parties might fail to pay amounts due to the authority

Liquidity risk - the possibility that the authority might not have funds available to meet its commitments to make payments

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

The authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. The authority has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and has set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum score of A (prior to October 2008 deposits were also permitted with the top 20 UK Building Societies, some of which were not rated independently). The authority has a policy of not lending more than £2 million to one institution.

The following analysis summarises the authority's potential exposure to credit risk. There has been no significant experience of default or uncollectability over the last five financial years.

	Credit Rating Score	31 March 2009 £'000	31 March 2010 £'000
Deposits with banks and financial institutions			
United Kingdom Banks	AA	1,000	0
United Kingdom Banks	AA-	800	6,600
United Kingdom Building Societies	AA-	2,000	2,000
United Kingdom Building Societies	A	1,500	0
Total		5,300	8,600
Other customers (net of bad debt provisions) -			
Mortgages (secured)		80	79
Miscellaneous loans		125	156
Total		5,505	8,835

No credit limits were exceeded during the reporting period and the authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

Where the authority considers there is a significant risk of default in mortgages or miscellaneous loans then an appropriate provision for bad debts is calculated.

The credit risk in respect of trade customers is dealt with in Note 22 on Debtors.

Liquidity Risk

As the authority has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to incur additional borrowings at a time of unfavourable interest rates.

Market Risk - Interest Rate Risk

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

Borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise

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

Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise

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

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or Statement of Recognised Gains and Losses (STRGL). However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance pound for pound. Movements in the fair value of fixed rate investments will be reflected in the STRGL.

The authority has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 50% of borrowings in variable rate loans.

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

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

	2008/09 £'000	2009/10 £'000
Increase in interest payable on variable rate borrowings	21	60
Increase in interest receivable on variable rate investments	(196)	(186)
Decrease in deficit on Income and Expenditure Account	(175)	(126)
Share of overall impact debited/(credited) to the HRA	(27)	12

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

Market Risk - Price Risk

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

Market 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.

40. Pensions

Participation in Pension Schemes

As part of the terms and conditions of employment of its employees, Taunton Deane Borough Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

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

Transactions relating to retirement benefits

We recognise the cost of retirement benefits in the Net Cost of Services when employees earn them, 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 retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

	2008/09		2009/10	
	£'000	£'000	£'000	£'000
Income and Expenditure Account				
Net Cost of Services				
Current service costs	2,723		2,141	
Past service costs	256		0	
Settlements/curtailments	46		384	
		3,025		2,525
Net Operating Expenditure				
Interest Cost	5,585		5,221	
Expected Return on Assets in the Scheme	(4,005)		(2,842)	
		1,580		2,379
Net Charge to the Income and Expenditure Account		4,605		4,904
Statement of Movement in the General Fund Balance				
Reversal of net charges made for retirements benefits in accordance with FRS17		(4,605)		(4,904)
Actual amount charged against the General Fund Balance for pensions in the year				
Employers' contributions payable to scheme		2,239		2,359

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £25,412,000 (2008/09 £8,680,000) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of net actuarial losses recognised in the Statement of Total Recognised Gains and Losses is £24,957,000.

Assets and Liabilities in Relation to Retirement Benefits

Summary of net liability in Balance Sheet:

	31 March 2009	31 March 2010
	£'000	£'000
Present value of funded obligation	(76,873)	(118,964)
Present value of unfunded obligation	(1,653)	(1,923)
Total liability	(78,526)	(120,887)
Fair value of scheme assets (bid value)	45,029	59,433
Net liability in Balance Sheet	(33,497)	(61,454)

Reconciliation of present value of the scheme liabilities:

	31 March 2009	31 March 2010
	£'000	£'000
Opening Defined Benefit Obligation	(84,854)	(78,526)
Current service cost	(2,723)	(2,141)
Interest cost	(5,585)	(5,221)
Contributions by scheme participants	(856)	(870)
Actuarial gains (losses)	11,717	(37,964)
Losses on curtailments	(46)	(384)
Estimated benefits paid (net of transfers in)	3,936	4,072
Past service cost	(256)	0
Unfunded pension payments	141	147
Present Value of Scheme liabilities	(78,526)	(120,887)

Reconciliation of fair value of the scheme assets:

	31 March 2009	31 March 2010
	£'000	£'000
Opening Fair Value of scheme assets	62,403	45,029
Expected return on scheme assets	4,005	2,842
Actuarial gains (losses)	(20,398)	12,552
Contributions by employer	2,239	2,359
Contributions by scheme participants	856	870
Estimated benefits paid (net of transfers in)	(4,076)	(4,219)
Closing Fair value of scheme assets	45,029	59,433

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

The actual return on scheme assets in the year was £15,394,000 (2008/09 -£16,393,000).

Scheme History

	31 March 2006	31 March 2007	31 March 2008	31 March 2009	31 March 2010
	£'000	£'000	£'000	£'000	£'000
Present value of liabilities	(90,780)	(92,848)	(84,854)	(78,526)	(120,887)
Fair value of assets	63,885	72,484	62,403	45,029	59,433
Deficit in the scheme	(26,895)	(20,364)	(22,451)	(33,497)	(61,454)
Experience adjustments on scheme assets	9,010	3,912	(14,106)	(20,398)	12,552
Experience adjustments on scheme liabilities	0	0	(889)	0	0

The total contributions expected to be made to the County Council Pension Scheme by the council in the year to 31 March 2011 is £2,127,000.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis, using the projected unit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels,

etc. The County Council Fund liabilities have been assessed by Barnett Waddingham LLP, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31st March 2007.

The principal assumptions used by the actuary have been:

	31 March 2009	31 March 2010
Long-term expected rate of return on assets in the scheme		
Equities	7.3%	7.8%
Government Bonds	4.0%	4.5%
Corporate Bonds	6.5%	5.5%
Property	6.4%	6.9%
Other assets	3.0%	3.0%
Mortality assumptions		
Longevity at 65 for current pensioners:		
Men	19.76	19.76
Women	22.46	22.46
Longevity at 65 for future pensioners:		
Men	20.42	20.42
Women	23.10	23.10
Rate of inflation	3.0%	3.9%
Rate of increase in salaries	4.5%	5.4%
Rate of increase in pensions	3.0%	3.9%
Rate for discounting scheme liabilities	6.7%	5.5%
Take-up of option to convert annual pension into retirement lump sum	50%	50%

The County Council Pension scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2009	31 March 2010
	%	%
Equities	66	72
Bonds	22	18
Property	8	8
Other	4	2
Total	100	100

Further information can be found in Somerset County Council's Superannuation Fund's Annual Report, which is available upon request from the County Treasurer, County Hall, Taunton, Somerset, TA1 4DY.

41. Reconciliation of Net Deficit on Income & Expenditure Account to Net Cash Flow for Revenue Activities

	2008/09		2009/10	
	£'000	£'000	£'000	£'000
Deficit for the year on Income & Expenditure Account		43,127		2,395
Non-Cash Transactions				
Amortisation of intangible fixed assets	(293)		(361)	
Impairment of fixed assets	(39,936)		(324)	
Depreciation of fixed assets	(4,877)		(5,216)	
Net profit/(loss) on sale of fixed assets	66		(410)	
Revenue expenditure funded from capital by statute	(1,323)		(441)	
Amortisation of government grants deferred	241		209	
FRS17 Pension transactions	(2,366)		(2,545)	
Other	(461)		327	
		(48,949)		(8,761)
Items on an Accruals basis				
Increase/(Decrease) in Stock	24		(24)	
Increase/(Decrease) in Debtors	(2,665)		4,575	
(Increase)/Decrease in Creditors	(268)		(4,873)	
Capital items included in debtors and creditors	1,709		2,834	
		(1,200)		2,512
Items classified elsewhere in Cash Flow Statement				
Servicing of Finance – net interest paid/(received)	15		(67)	
Decrease in other liquid resources	1,486		351	
		1,501		284
Revenue activities net cash flow		(5,521)		(3,570)

42. Reconciliation of Movement in Cash to Movement in Net Borrowing

	2008/09	2009/10
	£'000	£'000
Net Borrowing		
Cash and Bank	844	807
Short Term Investments	5,300	8,600
Short Term Borrowing	(6,203)	(6,985)
Long Term Borrowing	(9,000)	(9,404)
Net Borrowing at 31st March	(9,059)	(6,982)
Net Borrowing at 1st April	(8,800)	(9,059)
(Increase)/Decrease in Net Borrowing	(259)	2,077
Comprising		
Cash Balance at 31st March	844	807
Cash Balance at 1st April	629	844
Increase/(Decrease) in Cash	215	(37)
Net Outflow/(Inflow) from Financing (Note 43)	12,248	(404)
Net Outflow/(Inflow) from Liquid Resources (Note 44)	(12,722)	2,518
(Increase)/Decrease in Net Borrowing	(259)	2,077

43. Reconciliation of Financing Items

	2008/09 £'000	2009/10 £'000
Long Term Borrowing at 1st April	(21,248)	(9,000)
Long Term Borrowing at 31st March	(9,000)	(9,404)
Net Increase/(Decrease) in Long Term Borrowing	(12,248)	404

44. Reconciliation of Liquid Resources

	2008/09 £'000	2009/10 £'000
Short Term Investments at 1st April	13,831	5,300
Short Term Borrowing at 1st April	(2,012)	(6,203)
Net Short Term Investments/(Borrowing) at 1st April	11,819	(903)
Short Term Investments at 31st March	5,300	8,600
Short Term Borrowing at 31st March	(6,203)	(6,985)
Net Short Term Investments/(Borrowing) at 31st March	(903)	1,615
Net Increase/(Decrease) in Liquid Resources	(12,722)	2,518

45. Analysis of Government Grants

	2008/09 £'000	2009/10 £'000
Revenue Support Grant	1,023	1,601
DWP Grants for Benefits	29,047	32,445
Miscellaneous Grants	938	690
Total Government Grants Received	31,008	34,736

Housing (HRA) Income and Expenditure Account

	Note	2008/09		2009/10	
		£'000	£'000	£'000	£'000
Income					
Dwelling rents	F		(18,879)		(19,521)
Non dwelling rents			(458)		(364)
Charges for services/facilities			(1,019)		(1,132)
Contributions towards expenditure			(237)		(456)
			<u>(20,593)</u>		<u>(21,473)</u>
Expenditure					
Supervision and Management		3,845		3,573	
Repairs and Maintenance		5,070		5,873	
Rents, Rates, Taxes and Other Charges		32		90	
Housing Revenue Account Subsidy Payable	I	5,970		5,874	
(Decrease)/Increase in provision for bad debts		(34)		0	
Depreciation of Fixed Assets		4,041		4,203	
Impairment of Fixed Assets		37,635		120	
Revenue Expenditure funded from Capital under Statute	H	256		276	
Debt management expenses		30		21	
			<u>56,845</u>		<u>20,030</u>
Net Cost of HRA Services, per Authority I & E Account			36,252		(1,443)
HRA Services Share of Corporate and Democratic Core			177		173
Net Cost of HRA Services			<u>36,429</u>		<u>(1,270)</u>
(Gain) or loss on sale of HRA fixed assets			(66)		410
Interest payable and similar charges			724		441
Amortisation of premiums and discounts			44		0
Interest and Investment income			(196)		(35)
Pensions interest cost and expected return on Pensions assets			220		485
(Surplus)/Deficit for the Year on HRA Services			<u>37,155</u>		<u>31</u>

Statement of Movement on the HRA Balance

	Note	2008/09	2009/10
		£'000	£'000
(Surplus)/Deficit for the Year on HRA Services		37,155	31
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	L	(36,866)	79
(Increase) / Decrease in the HRA Balance		<u>289</u>	<u>110</u>
HRA Balance Brought Forward		(3,046)	(2,757)
HRA Balance Carried Forward		<u>(2,757)</u>	<u>(2,647)</u>

Collection Fund

	2008/09		2009/10	
	£'000	£'000	£'000	£'000
Income				
Council Tax	48,267		49,318	
Transfers from General Fund				
Council Tax Benefits	5,913		6,441	
Contributions towards previous years' Collection Fund Deficit				
Somerset County Council	353		575	
Avon & Somerset Police Authority	54		89	
Devon & Somerset Fire & Rescue Authority	23		38	
Taunton Deane Borough Council	51		82	
Income Collectable from Business Ratepayers	32,023		32,755	
		86,684		89,298
Expenditure				
Precepts				
Somerset County Council	40,149		41,503	
Avon & Somerset Police Authority	6,196		6,515	
Devon & Somerset Fire & Rescue Authority	2,674		2,795	
Taunton Deane Borough Council	5,697		5,762	
Business Rates				
Payment to National Pool	31,866		32,596	
Costs of Collection	157		159	
Council Tax				
Provision for bad and doubtful debts/appeals	430		428	
Less write offs during the year	(112)		(418)	
		87,057		89,340
Deficit for the year		(373)		(42)
Deficit Balance Brought Forward		(950)		(1,323)
Deficit Balance Carried Forward		(1,323)		(1,365)
Attributable to:				
Somerset County Council		(971)		(1,001)
Avon & Somerset Police Authority		(150)		(155)
Devon & Somerset Fire & Rescue Authority		(64)		(67)
Taunton Deane Borough Council		(138)		(142)
		(1,323)		(1,365)

Notes to the Supplementary Statements

Housing Revenue Account

A Housing Stock

The Council was responsible for managing around 6,100 dwellings during 2009/10. The stock at 31 March was made up as follows:

	31 March 2009	31 March 2010
Houses	3,050	3,030
Flats	2,074	2,072
Bungalows	875	875
Other	101	101
	<u>6,100</u>	<u>6,078</u>

The change in stock was made up of 7 disposals and 15 demolitions in the year.

B Value of Assets

The balance sheet value of HRA assets at 1 April 2009 and 31 March 2010 is shown below.

	1 April 2009 £'000	31 March 2010 £'000
Council Dwellings	279,736	300,441
Other land & Buildings	13,552	18,428
Infrastructure Assets	1,936	1,885
Intangible Assets	542	479
	<u>295,766</u>	<u>321,233</u>

C Value of Dwellings at 1 April 2009

The open market value of dwellings within the HRA at 1 April is £621,636,000 compared with the balance sheet value of £279,736,000. The difference of £341,900,000 represents the economic cost to the Government of providing Council housing at less than open market rents.

D Rent Arrears

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

	31 March 2009 £'000	31 March 2010 £'000
Rent arrears	483	383
Provision for bad debts	(309)	(288)
Anticipated collectable arrears	174	95
Arrears as % of gross rent income	2.6%	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 0.75% (0.72% in 2008/09) of available properties were vacant. Average weekly rents were £61.49 in 2009/10, an increase of £1.09 (1.80%) 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.

	2008/09 £'000	2009/10 £'000
Balance at 1 April	0	0
Transfer from Capital Adjustment Account (equivalent to depreciation)	4,041	4,120
Transfer to Housing Revenue Account	(511)	(416)
Financing of Capital Expenditure	(3,530)	(3,704)
Balance at 31 March	0	0

H Revenue Expenditure funded from Capital under Statute

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

	2008/09 £'000	2009/10 £'000
Tenants Incentive Scheme	35	0
Disabled Facilities Grants	211	276
Other	10	0
	256	276

I Entitlement to Housing Subsidy

The amount of Housing Subsidy payable for 2009/10 has been calculated as follows:

	2008/09 £'000	2009/10 £'000
Management	2,635	2,171
Maintenance	5,478	5,813
Major repairs	3,530	3,704
Charges for capital	1,587	1,208
	13,230	13,496
Rent	(19,125)	(19,317)
Interest on receipts	0	0
Rental constraint allowance	0	0
	(5,895)	(5,821)
Adjustment for 2008/09	(75)	(53)
	(5,970)	(5,874)

J Total Capital Expenditure and Receipts

	2008/09 £'000	2009/10 £'000
HRA Capital Expenditure		
Dwellings	5,045	4,695
Other land and buildings	0	170
Infrastructure	127	0
Intangible assets	0	1
Revenue expenditure funded from capital under statute	256	276
	5,428	5,142
Financed By		
Capital receipts	0	0
Contribution from revenue	1,647	1,292
Major repairs reserve	3,530	3,704
Other grants	251	146
	5,428	5,142
Housing Capital Receipts		
	2008/09 £'000	2009/10 £'000
Dwellings	399	486
Other assets	0	43
Administrative cost of sales	(9)	(25)
Discount refunded upon sale	14	59
Mortgage repayments – council sales	4	0
	408	563

K Pension Scheme

Following advice issued by CIPFA regarding Accounting for Defined Benefit Retirement Benefits in the HRA, TDBC has concluded that neither ring-fencing nor resource accounting in the HRA require the HRA to be treated differently from other services on the grounds of proper practice. There is therefore an amount of £44,000 (2008/09 £69,000) included within management expenditure, which reflects the Current Service Costs of the Pension Scheme, in accordance with FRS17. 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.

L Note to the Statement of Movement on the HRA Balance

	2008/09		2009/10	
	£'000	£'000	£'000	£'000
Items included in the HRA I & E account but excluded from the movement on the HRA balance for the year				
Difference between amounts charged to income and expenditure for premiums and discounts and the charge for the year determined in accordance with statute	39		39	
Difference between any other item of I & E determined in accordance with SORP and determined in accordance with statutory HRA requirements	(37,890)		(895)	
Profit (loss) on sale of Fixed Assets	66		(410)	
Net charges made for retirement benefits in accordance with FRS17	(289)		(454)	
		(38,074)		(1,720)
Items not included in the HRA I & E account but included from the movement on the HRA balance for the year				
Transfer from Major Repairs Reserve	(511)		0	
Transfer to other HRA Reserves	72		513	
Capital Expenditure funded by the Housing Revenue Account	1,647		1,286	
		1,208		1,799
Net Additional Amount Required by Statute to be debited/(credited) to the HRA Balance for the Year		(36,866)		79

Collection Fund**M Council Tax**

The Council's tax base for 2009/10, 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)	9.25	5/9	5.14
A	5,692.50	6/9	3,795.00
B	13,391.28	7/9	10,415.44
C	8,349.40	8/9	7,421.69
D	6,309.19	9/9	6,309.19
E	4,951.38	11/9	6,051.69
F	3,006.82	13/9	4,343.19
G	1,363.38	15/9	2,272.31
H	56.00	18/9	112.00
	43,129.20		40,725.66
Less Adjustment for Collection Rates			(325.81)
Council Tax Base			40,399.85

N Income from Business Ratepayers

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area, which are based on local rateable values multiplied by a uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which in turn pays back to authorities their share of the pool, based on a standard amount per head of resident population.

The total non-domestic rateable value at 31 March 2010 was £100,123,388. The standard national non-domestic multiplier for the year was £0.485; the national non-domestic small business multiplier for the year was £0.481.

Group Accounts

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

1. Tone Leisure

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

During 2009/10 the Council consolidated a net trading surplus of £39,000 (2008/09 £14,000) into its Group Income and Expenditure Account, and net liabilities of £245,000 (2008/09 £76,000) into its Group Balance sheet. Net liabilities comprise fixed assets of £135,000 (2008/09 £174,000), current assets of £112,000 (2008/09 £67,000), current liabilities of £77,000 (2008/09 £81,000), and long-term liabilities (including the pension fund deficit) of £415,000 (2008/09 £236,000).

2. Trust Funds

Excluded from the Council's single entity balance sheet are the financial activities of the two Trust Funds, which the Council operates. The Council administers the assets of the Trust Funds but it does not own the assets; it is however, the sole Trustee. As the Trustee the Council has sole responsibility for controlling the assets of the Trust Funds and is accountable for any losses on the Funds. Therefore they are included within the Council's Group Accounts as a directly managed fund. Further details on the Trust Funds are shown in note 43 to the Core Financial Statements.

For all bodies the information used to form the Group Accounts is at 31 March 2010.

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

- Group Income and Expenditure Account
- Group Statement of Total Recognised Gains and Losses
- Group Balance Sheet
- Group Cash Flow Statement

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

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

Group Income and Expenditure Account

	2008/09		2009/10	
	Net	Gross	Gross	Net
	Expenditure	Expenditure	Income	Expenditure
	£'000	£'000	£'000	£'000
Central Services to the Public	868	8,087	7,072	1,015
Cultural, Environmental and Planning Services	12,985	17,331	6,638	10,693
Highways, Roads and Transport Services	(674)	4,187	4,993	(806)
Local Authority Housing	36,252	20,030	21,473	(1,443)
Other Housing services	3,285	28,434	26,536	1,898
Corporate and Democratic Core	1,548	1,330	8	1,322
Non – Distributed Costs	426	530	5	525
Share of the Operating Results of Associates	14	0	39	(39)
Net Cost of Services	54,704	79,929	66,764	13,165
Loss / (Gain) on Disposal of Fixed Assets	(66)			410
Parish Council Precepts	401			433
(Surplus)/Deficits on Trading Activities not included in Net Cost of Services	29			(268)
Interest Payable and Similar Charges	1,209			658
Contribution of Housing Capital Receipts to Government Pool	214			416
Interest and Investment Income	(930)			(603)
Pensions Interest Cost and Expected Return on Pensions Assets	1,580			2,379
Share of the Pensions Interest Cost and Expected Return on Pensions Assets of Associates	5			9
Net Operating Expenditure	57,146			16,599
Demand on the Collection Fund	(5,609)			(5,675)
Central Government Grants	(1,045)			(1,624)
Non – Domestic Rates	(7,346)			(6,935)
Deficit for the Year	43,146			2,365

Reconciliation of TDBC Surplus to Group Surplus

	2008/09	2009/10
	£'000	£'000
Deficit for the Year on the Income and Expenditure Account	43,127	2,395
(Surplus)/Deficit arising from Associate	19	(30)
Group Account Deficit for the Year	43,146	2,365

Group Statement of Total Recognised Gains and Losses

	2008/09	2009/10
	£'000	£'000
(Surplus) Deficit for the Year on the Income and Expenditure Account	43,146	2,365
(Surplus) Deficit Arising on Revaluation of Fixed Assets	10,460	(30,254)
Actuarial Losses on Pension Fund Assets & Liabilities	8,710	25,611
Total Recognised (Gains) / Losses for the Year	62,316	(2,278)

Group Balance Sheet

	Note	31 March 2009		31 March 2010	
		£'000	£'000	£'000	£'000
Fixed Assets					
Intangible Fixed Assets			3,077		923
Tangible Fixed Assets					
Operational Assets:					
Council Dwellings			279,736		300,442
Other Land and Buildings			56,129		63,370
Vehicles, Plant and Equipment			1,125		3,034
Infrastructure Assets			10,419		10,514
Community Assets			3,590		4,285
Non-Operational Assets:					
Investment Properties			14,431		16,552
Assets under construction			0		1,339
Surplus Assets held for disposal			188		188
			<u>368,695</u>		<u>400,647</u>
Other Assets					
Long-term Investments			3		3
Share in Net Assets of Associate			(76)		(245)
Long-term Debtors			157		176
			<u>368,779</u>		<u>400,581</u>
Total Long-term Assets					
Current Assets					
Stocks and Works in Progress		193		169	
Debtors		6,378		10,954	
Investments		5,300		8,600	
Cash and Bank		868		831	
			<u>12,739</u>		<u>20,554</u>
			<u>381,518</u>		<u>421,135</u>
Total Assets					
Current Liabilities					
Borrowing Repayable within 12 months		(6,203)		(6,985)	
Creditors		(8,868)		(13,742)	
			<u>(15,071)</u>		<u>(20,727)</u>
Total Assets less Current Liabilities					
Borrowing Repayable beyond 12 months		(9,000)		(9,404)	
Government Grants Deferred		(7,420)		(10,742)	
Net Liability related to Pension Scheme		(33,497)		(61,454)	
			<u>(49,917)</u>		<u>(81,600)</u>
Total Assets less Liabilities					
Financed By					
Revaluation Reserve			2,548		32,582
Capital Adjustment Account			335,325		334,287
Financial Instruments Adjustment Account			(156)		(117)
Collection Fund Adjustment Account			(138)		(143)
Unapplied Capital Receipts			614		760
Earmarked Reserves			7,555		8,903
Trust Funds			24		24
Share of Reserves of Associate			(76)		(245)
Pension Reserve			(33,497)		(61,454)
Fund Balances					
General Fund			1,574		1,564
Housing Revenue Account			2,757		2,647
			<u>316,530</u>		<u>318,808</u>

Group Cash Flow Statement

	Note	2008/09		2009/10	
		£'000	£'000	£'000	£'000
Revenue Activities – Cash Outflows					
Cash Paid to and on Behalf of Employees		14,752		15,635	
Other Operating Cash Payments		27,981		25,620	
Housing Benefit Paid Out		18,274		21,694	
Payments to the Capital Receipts Pool		564		463	
			61,571		63,412
Revenue Activities – Cash Inflows					
Rents (after rebates)		(9,294)		(8,439)	
Council Tax income		(5,061)		(5,058)	
Non-Domestic Rate Receipts from National Pool		(7,346)		(6,346)	
Revenue Support Grant		(1,023)		(1,601)	
DSS grants for benefits		(29,047)		(32,445)	
Other government grants		(938)		(690)	
Cash received for goods & services		(14,383)		(12,403)	
			(67,092)		(66,982)
Revenue Activities – Net Cash Flow			(5,521)		(3,570)
Investment Returns & Servicing of Finance					
Interest Paid		1,309		685	
Interest Received		(1,294)		(751)	
			15		(66)
Capital Activities					
Cash Outflows					
Purchase of fixed assets		11,184		9,015	
Other capital cash payments		1,323		442	
Cash Inflows					
Sale of fixed assets		(508)		(563)	
Capital grants received		(4,778)		(6,957)	
			7,221		1,937
Net Cash Flow Before Financing			(4,198)		(1,699)
Management of Liquid Resources					
Net Increase / (Decrease) in Short-term Investments			(8,501)		3,300
Net Decrease in other liquid resources			(1,486)		(351)
Financing - Cash outflows					
Repayment of amounts borrowed		14,057		6,000	
Financing - Cash inflows					
New loans raised		(6,000)		(7,213)	
			8,057		(1,213)
Net (Increase) / Decrease in Cash			(215)		37

I. Reconciliation of Net Deficit on Group Income & Expenditure Account to Net Cash Flow for Revenue Activities

	2008/09		2009/10	
	£'000	£'000	£'000	£'000
Deficit for the year on Income & Expenditure Account		43,146		2,365
Non-Cash Transactions				
Amortisation of intangible fixed assets	(293)		(361)	
Impairment of fixed assets	(39,936)		(324)	
Depreciation of fixed assets	(4,877)		(5,216)	
Net profit/(loss) on sale of fixed assets	66		(410)	
Revenue expenditure funded from capital by statute	(1,323)		(441)	
Amortisation of government grants deferred	241		209	
Surplus/(Deficit) arising from associate	(19)		30	
FRS17 Pension transactions	(2,366)		(2,545)	
Other	(461)		327	
		(48,968)		(8,731)
Items on an Accruals basis				
Increase/(Decrease) in Stock	24		(24)	
Increase/(Decrease) in Debtors	(2,665)		4,575	
(Increase)/Decrease in Creditors	(268)		(4,873)	
Capital items included in debtors and creditors	1,709		2,834	
		(1,200)		2,512
Items classified elsewhere in Cash Flow Statement				
Servicing of Finance – net interest paid/(received)	15		(67)	
Increase/(Decrease) in other liquid resources	1,486		351	
		1,501		284
Revenue activities net cash flow		(5,521)		(3,570)

II. Impact of Group Accounts on the Cash Flow Statement

The group accounts have no significant impact on the cash flow statement.

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.

Amortised Costs

Costs that are accounted for over a period of time in relation to the benefit derived from that cost

Apportionment

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

Audit Commission

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

Billing Authority

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

Budget Requirement

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

Capital Charges

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

Capital Expenditure

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

Capital Receipts

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

Chartered Institute of Public Finance Accountancy (CIPFA)

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

Collection Fund

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

Community Assets

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

Commuted Sum

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

Corporate and Democratic Core

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

Council Tax

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

Creditors

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

Debtors

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

Depreciation

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

Direct Service Organisation (DSO)

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

Discontinued Operations

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

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

Operations not satisfying all these conditions are classified as continuing.

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

Is an estimate of the market value of a financial asset or liability for which a market price cannot be determined.

Fees and Charges

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

Financial Instruments

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

Finance Lease

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

Fixed Assets

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

FRS

Financial Reporting Standards (FRS's) are issued by the Accounting Standards Board, and are gradually superseding existing SSAP's. The council's accounts conform to FRS's where they are applicable to local authorities.

GAAP (Generally Accepted Accounting Principles)

By following UK GAAP all applicable accounting standards are adhered to.

General Fund

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

Government Grants

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

Group Accounts

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

Gross Expenditure

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

Housing Revenue Account (HRA)

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

set based on convergence with the rents levied by other social housing providers, such as housing associations, by 2016/17.

Housing subsidy

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

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.

Investments

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

JANE

This a joint arrangement that is not an entity

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.

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.

Non-domestic Rate (NDR)

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. NDR is collected by billing authorities in line with national criteria, and then redistributed among all local authorities and police authorities on the basis of population. Also known as "business rates", the "uniform business rate" and the "national non-domestic rate".

Non-operational Assets

Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

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.

Operating Assets

Assets used in the direct provision of services.

Post Balance Sheet Events

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

Precept

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

Precepting Authorities

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

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.

Re-chargable Works

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

Reserves

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

Revenue Contribution to Capital Outlay (RCCO)

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

Revenue Expenditure

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

Revenue Expenditure funded from Capital under Statute

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

Revenue Support Grant (RSG)

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

Section 137 Expenditure

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

SORP (Statement of Recommended Practice)

This is a statement of recommended practice issued by the Accounting Standards Board or by one of the accountancy institutes. The council's accounts conform to relevant SORP's, particularly the CIPFA Code of Practice on Local Authority Accounting in Great Britain.

SSAP (Statements of Standard Accounting Practice)

Statements of Standard Accounting Practice issued by the Accounting Standards Board. The council's accounts conform to SSAP's where they are applicable to local authorities.

Standard Spending Assessment (SSA)

Central government's assessment of what an individual authority needs to spend in order to provide a standard level of service. The SSA is used to calculate the authority's revenue support grant and its capping limit.

Stocks

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

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.

<p style="text-align: center;">English</p> <p>If you need any information in this document translated into another language or in Braille, large print, audio tape, or CD please telephone us on 01823 331448 or e-mail us at accounts@tauntondeane.gov.uk</p>	<p style="text-align: center;">Hindi</p> <p>अगर आप इस दस्तावेज़ में प्रस्तुत किसी भी जानकारी का अनुवाद दूसरी भाषाओं या ब्रेल, बड़े अक्षरों वाली छपाई, ऑडियो टेप, या सीडी में चाहते हैं, तो कृपया हमें इस नंबर पर फ़ोन कीजिये 01823 331448 या यहाँ ईमेल कीजिये accounts@tauntondeane.gov.uk</p>
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