Taunton Deane Borough Council

Corporate Governance Committee – 26 September 2011

Approval of the Statement of Accounts for 2010/11

Report of the Strategic Director, Shirlene Adam
This matter is the responsibility of Executive Councillor Williams (Leader of the Council)

1. Executive Summary

The Statement of Accounts for 2010/11 is required to be approved by the Corporate Governance Committee and signed by the s.151 Officer (Shirlene Adam) and Chair of the Committee (Councillor Denington). This report also introduces the Annual Governance Report which was prepared by and will be presented by the council's external auditors – Audit Commission.

2. Background

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

2.2 Previously the committee would have been required to approve the accounts before 30 June each year. For the 2010/11 accounts onwards this has now changed and the committee is required to approve the accounts following completion of the external audit. The Accounts and Audit Regulations 2011 also require that the Statement of Accounts is to be approved by Members by 30 September and be published on the Councils website.

2.3 The Councils Statement of Accounts have been audited by the Audit Commission and they have issued an unqualified opinion and this is contained within the attached Statement of Accounts.

3. Statement of Accounts

3.1 The format of the Statement of Accounts has changed for 2010/11 due to the introduction of International Financial Reporting Standards (IFRS). IFRS has significantly changed the presentation of some key statements and in particular both the 2008/09 and 2009/10 Balance Sheets have been restated to take into account the changes – however as the changes are presentational they do not affect the overall 'bottom line'.

3.2 The Financial Services Manager and Principal Accountant will make a brief presentation on the main changes and major areas of the Statement of Accounts and will be available for any queries the Committee may have. As the Statement of Accounts is 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 Paul Fitzgerald, Financial Services Manager whose contact details are shown below.

4. Amendments to the Statement of Accounts arising from the audit

4.1 Over recent weeks Audit Commission have been reviewing the draft Statement of Accounts for 2010/11 and accompanying working papers. As a result during the audit period they have identified and requested amendments to these Statements. In particular material amendments that have been made are shown in the below table.

Description	**Value £'000**	**Impact**
1. Loan interest: reclassification in the balance sheet of accrued interest	172	Value of the accrual has been removed from creditors in the balance sheet and added to both long term and short term borrowing
2. Officers remuneration: 2009/10 comparative information has been restated	Nil	Note 40 has been amended
3. Collection Fund: Non-Domestic rateable value as reported in the accounts was incorrect as was based on data as at 16th March and should have been based upon data as at 31st March	Nil	No impact on any primary financial statements
4. Housing Benefit Subsidy: the accounts submitted to audit were based upon the provisional Housing Benefit Subsidy claim. Since then the final claim has been prepared and has reduced the Councils entitlement to subsidy (income). This amendment represents less than 0.6% of the total subsidy receivable	203	The Comprehensive Income & Expenditure Account has been amended, as have General Fund balances which now stand at £2.9m. This amended balance will be reported to the Executive through future budget monitoring reports
5. NNDR debtor balances: reclassification of 2009/10 receipts in advance	375	Debtor and Creditor balances in the Balance Sheet have been restated. No impact on reserves.
6. Cash & Cash Equivalents: clarification of accounting policy in the Statements	Nil	Re-wording of accounting policy regarding short term investments

7. Group Accounts – Tone Leisure: Accounts presented to audit included only draft accounts for Tone Leisure which have been subsequently amended by their auditors. The council is required to reflect this amendment in its own Group Accounts	Nil	Minor amendment in the Group Accounts
8. Grant Income Note 32: Rent Rebate income had been incorrectly netted down against Housing Subsidy payable	Nil	This note has been amended to show the grants on a gross basis
9. IFRS restatement of 2009/10 comparatives: reclassification of the analysis of debtor and creditors	265	This is a disclosure reclassification only
10. Cash Flow Statement: The cash flow statement has been restated following errors and misstatements found during the audit process	Nil	This statement has been amended as required
11. Minor amendments, cross referencing and increased disclosures made	Nil	Notes have been amended as necessary

4.2 In addition to the above there are also a number of immaterial changes requested by the auditor that have not been reflected in the Statements and these will be corrected during the financial year 2011/12.

5. Legal Comments

None

6. Links to Corporate Aims

6.1 The Statement of Accounts report the financial activities of the council in the delivery of its corporate aims.

7. Environmental and Community Safety Implications

None

8. Equalities Impact

8.1 Copies of the accounts are available in a variety of formats.

9. Risk Management

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

10. Partnership Implications

10.1 The preparation of the accounts is carried out by Southwest One on behalf of the council. A review of the Statement of Accounts preparation and audit process will be carried out to identify further improvement areas.

11. Recommendations

Members are requested to:

11.1 Note the content of the Annual Governance Report action plan as attached;

11.2 Approve the Statement of Accounts for 2010/11, as attached;

11.3 Subject to the approval as recommended in 11.2 above, the Chairman of the committee is requested to sign the Statement of Accounts for 2010/11.

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Contents

Foreword by the Section 151 Officer

A SUMMARY OF THE COUNCIL'S FINANCIAL PERFORMANCE 2010/11

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The financial reporting and statement of accounts for the Council are reported for the first time in 2010/11 in line within International Financial Reporting Standards (IFRS). This adoption of this change has involved a significant amount of work, and has led to some fundamental changes to the presentation of the Council's financial performance and the way certain items are accounted for. The implications of this change are explained as necessary within the document and specifically in Note 42 on page 79. Overall, the adoption of IFRS has not changed the underlying financial position for the Council, but rather brings our financial reporting into line with current statutory requirements.

THE FINANCIAL STATEMENTS

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

- The **Movement in Reserves Statement** (pages 14 and 15) shows the changes in the Council's financial resources over the year, by showing the movement on the different reserves held, analysed into 'usable reserves' (that can be used to fund spending) or other reserves
- The **Comprehensive Income and Expenditure Statement** (page 16) brings together details of the Council's day-to-day revenue spending and income on its services, and other gains and losses in the year.
- The **Balance Sheet** (page 17) provides a snapshot of the Council's financial position at 31 March and sets out what is owned and what is owed.
- The **Cash Flow Statement** (page 18) summarises the flows of cash into and out of the council during the year.
- The **Notes to the Financial Statements** (pages 19-79) provide supplementary information on some of the figures contained within the primary statements. They also include accounting policies, which guide the treatment of income and expenditure and disclosures relating to the assets and liabilities of the Council.

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

IMPORTANT DEVELOPMENTS

Organisational Changes

During 2010/11 the Council continued to implement the structural changes required to deliver thematic working. The proposals have delivered significant savings to the organisation, and have created a structure that is fit for purpose and will deliver our vision. This will need further review during 2011/12 as the Council delivers the challenges of its budget strategy.

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.

During 2009/10, a new financial system (SAP) was introduced. The new system provides the foundation for a number of improvements and efficiencies in the coming years. The implementation was complex and has taken some time, but has been largely completed during 2010/11.

Project Taunton
Work continued on the Firepool site with our development partner St Modwens. This is a significant step in the regeneration of Taunton, described more fully in Note 3 on page 35.

Sort It Plus
Somerset Waste Partnership finalised the roll-out of the "Sort-It Plus" scheme for waste collection throughout Taunton Deane during 2010/11. All households now have weekly collection of food and recyclable waste, with non-recyclable and garden waste now collected on an alternate fortnightly basis.

Debt Collection
The Council, working with its partner Southwest One has made significant improvements in the levels of debt collected during 2010/11. The collection rates for council tax, business rates, and rents have all increased.

FINANCIAL OVERVIEW

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

General Fund unearmarked reserves or 'general balances' have increased to £2.937m. Later in this foreword I explain the financial challenges faced by the Council, and having reserves at this level provides some resilience as the Council takes the necessary steps to meet that challenge.

The Housing Revenue Account (HRA) unearmarked reserve has reduced to £1.594m. The HRA unearmarked reserve is in place to support housing landlord services in future years, and it is normal for the balance to fluctuate.

Earmarked reserves are funds that are set aside for specific purposes reflecting commitments to spend on General Fund and HRA services in future years. The balance at the end of 2010/11 is £6.859m for General Fund (GF) services and £0.581m for HRA services.

Capital reserves reflect funds set aside to fund investment in capital items in future years, and largely comprise grants and contributions that are committed on projects to be completed in 2011/12 and later financial years. The Council currently holds £5.380m of capital reserves, the large majority of which is committed on projects on the capital programme.

Revenue Budget – General Fund
In February 2010 this Council agreed the 2010/11 budget at £14.428million. This resulted in a Band D Council Tax of £135.19, which was a 2.5% increase over the previous year. During the year the Council was able to reduce its Budget overall by £1.019m reflecting a significant one-off VAT refund (£577,000), efficiency savings related to waste collection and recycling services (£250,000), and the return of surplus earmarked reserves and invest to save efficiency savings. The final budget for the year was £13.409m.

The net outturn for 2010/11 was £13.146million, which gives a significant underspend of £0.263m for the year. The net underspend arises for a variety of reasons including lower costs related to staffing, support services and homelessness.

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

Revenue Expenditure – Housing Revenue Account (HRA)
The Council continues to be a major provider of social housing, working closely with housing associations and other social landlords to provide affordable housing for tenants in the Borough. The HRA only accounts for the costs 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 £1.053m in 2010/11, which represents an overspend of £0.758m compared to the final Budget. This was largely due to an under-estimate of the Subsidy payment the Council has to pay to Central Government. Although the outturn deficit shows a deficit of just over £1m, the position in the financial statements is significantly different to this. This is because of a revaluation loss of £74.7m charged to the Surplus/Deficit on the Provision of Services related to the council housing stock. This is explained further in Note 5 on page 37, and although a significant figure, it does not affect the Housing Revenue Account reserves as the cost is an 'accounting valuation' only and is adjusted out in the Movement in Reserves Statement.

Pensions

The Council's share of the overall pension fund deficit decreased from £61.5m at 31 March 2010 to £45.4m at 31 March 2011. The deficit has decreased by some 26%, which is largely due to the Government's announcement that it intends to increase future pensions in line with the Consumer Price Index (CPI) rather than Retail Price Index (RPI). This results in a reduction in the actuarial valuation of future pension obligation.

In recent years the level of reported pension deficit has changed significantly from year to year, reflecting the sensitivity to changes in actuarial assumptions and market conditions. Despite the changes in valuation, this is a real liability that has resulted from pension entitlement earned by employees. The liability appears in the Council's Balance Sheet but any immediate impact on levels of Council Tax is neutralised by a matching Pensions Reserve. Funding of the deficit will be met in future years by a combination of increased contributions and changes in the value of the Pension Fund. Actuarial valuations are made every three years and these will guide the Council in addressing the amount of the deficit.

Capital Spending In 2010/11

In addition to our spending on day-to-day service provision, the Council spends money on assets such as buildings, major improvements to parks, and contributions to jointly financed schemes.

Capital expenditure in the year totalled £11.537m (£9.705m in 2009/010), which is £2.041m below the budget for the year of £13.578m. The Housing Revenue Account programme was overspent by £0.195m mainly due to investment in maintaining the 'Decent Homes' standard. The General Fund programme reported an underspend of £2.146m but taking into account commitments for slippage of £2.179m on capital projects (significantly mercury abatement works at the Crematorium and various housing capital grant commitments) the 'real' position is a minor overspend of just £0.033m in the year. Funding for slippage will be carried forward into the following financial year until the project is complete (thereby ensuring that overall the programme as a whole remains affordable).

Included within the total capital expenditure was Housing capital expenditure of £7.732m (£5.640m in 2009/10), of which £6.653m was spent on council properties; and £1.079m on Renewal Grants, grants to Housing Associations, and other social housing initiatives. During 2010/11, 11 dwellings were sold compared to 7 in the previous year.

The remaining £3.805m of capital expenditure was invested in non-housing projects during the year. This included £2.52m on land and property purchases and infrastructure works and growth projects related to Project Taunton; £0.83m on play areas and equipment; with the balance invested in information technology, vehicles and other minor schemes.

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

Treasury Management

At 31 March 2011, the Council held investments of £12.3m (£8.6m in 2009/10). The return on these investments included in the revenue accounts amounted to £0.115m (£0.17m in 2009/10).

Total borrowing amounted to £15.8m at 31 March 2011 (£16.4m in 2009/10), of which £6m (including accrued interest) is repayable in 2011/12. The cost of borrowing and management of debt charged to the revenue accounts during 2010/11 was £0.64m (£0.66m in 2009/10).

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…

Budget Challenges

For 2011/12 the Council has produced a balanced budget (£11.9m net budget requirement) with a 0% increase in council tax (Band D Tax remains at £135.19).

The Government has been clear on the need for cuts in public sector spending. It expects the cuts in Government Department spending to be in the region of 25 – 40% over a four year period. District Councils traditionally have not fared well in grant distributions (for 2011/12 the Council's Revenue Government Grant was cut by 13.2% (£0.909m), with a further cut of 11.2% (£0.671m) planned for 2012/13). Taunton Deane is therefore starting to plan for a grant reduction in the region of 40% over the next 4 year period.

The Council is reviewing every area of spend and will aim to develop a strategic plan that will show how these financial challenges can be met. The aim is that by adopting a strategic approach we can hopefully steer the organisation safely through the challenges ahead, and be transparent with customers and staff on the direction the Council is heading in. The Council will need to react flexibly to this strategic approach – by using reserves to smooth the impact of the cuts over this period, and by looking at innovative ways to deliver and charge for services.

DLO Review

The Council has commissioned a fundamental review of how our direct labour organisation operates. This is our skilled workforce which supports the maintenance of our Council homes, the maintenance of our parks and playing fields, and the cleansing of the Boroughs streets – as well as many other services.

The Council has decided to continue to deliver these services directly, rather than outsource them, for the next couple of years. This will give time for the internal transformation plans to be delivered – and hopefully significant savings materialise for the Council

Housing Reform

The Government has decided to change the funding arrangements that support Councils who still own their Council homes. Taunton Deane has around 6,000 homes. The new regime will come into place early in 2012, and will mean the Council taking on significant new debt (estimated at £87.2m). The Council is currently preparing a robust 30 year business plan to support this level of borrowing.

FURTHER INFORMATION

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

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

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

The Statement of Responsibilities for the Statement of Accounts

The Council is required to:

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

Strategic Director:

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

In preparing this Statement of Accounts the Strategic Director has:

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

The Strategic Director has also:

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

Certification of the Accounts

This Statement of Accounts gives a true and fair view of the financial position of Taunton Deane Borough Council at 31 March 2011 and its income and expenditure for the year ended 31 March 2011.

S Adam FCCA
Strategic Director
Section 151 Officer

26 September 2011

Approval of the Accounts

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

Brian Denington
Chair of Corporate Governance

26 September 2011

Taunton Deane Borough Council Annual Governance Statement 2010/11

Scope of responsibility

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

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

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

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

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

This statement explains how Taunton Deane Borough Council has complied with the code and also meets the requirements of regulation 4(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 statement on annual governance.

Purpose of the Governance Framework

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

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

The governance framework has been in place at Taunton Deane Borough Council for the whole year ended 31 March 2011 and up to the date of approval of the statement of accounts.

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

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

- The Council has a 3 year Corporate Strategy, which sets out the corporate aims and a series of organisational objectives embodying how the council will deliver services and meet statutory requirements. The Corporate Strategy is the Council's core planning document, from which the Financial Strategy, Medium Term Financial Plan, Annual Budget, Asset Management Plan, Capital and Housing Strategies are formed to underpin the corporate aims. Service Plans are produced from the Corporate Strategy to show how each service will contribute to the delivery of the Corporate Aims and its service objectives.

- The Performance Outturn Report and Annual Accounts review our performance over the last year, highlighting some practical examples of our achievements.

- Scrutiny Committees and the Executive regularly review our performance and delivery of the plans and priorities.

- Community Strategy for Taunton has been produced through the Local Strategic Partnership (LSP – now Taunton Deane Partnership) 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".

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

- The Council's constitution documents the roles and responsibilities of the Council, Executive, Scrutiny, Policy Development, Regulatory and Officer functions. The constitution is kept under review by the Constitutional Sub-Committee. All proposed changes are considered by the Corporate Governance Committee and Full Council. This has been reviewed and updated during 2010/11.

- The Statutory Officers are now meeting quarterly as a Corporate Governance Group. The Monitoring Officer and S151 Officer are members of the Corporate Management Team.

- 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 a member/officer protocol that sets out the standards of behaviour expected to ensure a good working relationship between members and officers.

- We review our financial management arrangements on a regular basis to ensure they conform to the requirements of CIPFA Statement on the Role of the Chief Finance Officer in Local

Government (2010). The review confirmed that during the financial year 2010/11 the Council complied with these requirements.

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

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

- Managers are responsible for making sure members of staff keep to policies, procedures, laws and regulations and for making sure that we include risk management in our work.

- A complaints procedure is in place for the Council to receive and investigate any complaint made against Borough or Parish members.

- The Council has revised its Whistle-blowing Policy and this is published in the Council's staff handbook and intranet. The handbook contains all key personnel policies, standards, procedures and codes of conduct.

- Internal and External audit work together to review and provide annual opinions on the control framework, governance and validity of the annual accounts.

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

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

- Corporate Scrutiny and Community Scrutiny were set up in April 2009. Performance issues identified in the monitoring reports can be referred to other committees for further scrutiny.

- The main decision making body of the Council is the Executive, which consists of the Leader together with 7 Councillors and carries out all of the Council's functions, which are not the responsibility of any other part of the Council.

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

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

- The Council has approved a Risk Management Policy that identifies how risks are managed.

- TDBC operates a Corporate Governance Committee which is independent of the Executive and Scrutiny functions of the Council. They cover a wide remit and deal with such things as health and safety, risk management, recommend changes to the Constitution in addition to receiving any audit reports given to the Authority.

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

- The Council aims to ensure that officers and members have the knowledge, capacity and skills they need to undertake their duties, and this is reviewed through the appraisal system. An induction programme is in place for all new staff and new Members.

- 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.

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

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

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

- The Council consults using a variety of methods, which include public meetings, forums, surveys, feedback forms and focus groups. Listening to and understanding the views of residents, services users, business people, visitors and staff is important to Taunton Deane Borough Council.
- Council's vision and priorities are regularly communicated to the Community through the Somerset County Gazette
- The Council produces the Annual Statement of Accounts. The Council tax booklet shares with payers, details on the Council's financial strategy, priorities, performance and other useful information.

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

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

Review of effectiveness

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

The review for the 2010/11 statement was led by the s151 Officer, supported by the Monitoring Officer, the Council's Group Auditor and Performance Manager. The review was informed by:

- Internal Audits annual opinion report for 2010/11
- The effectiveness of internal audit
- External auditors comments
- The Councils Governance Action Plan
- Input From The Work Of the Standards Committee

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

Significant governance issues

During the year the Group Auditor (South West Audit Partnership) brought a number of control issues to the attention of the Council's Corporate Governance Committee. The opinion of the Internal Auditors was that the control environment was reasonable in 2010/11.
Key governance issues for the Council to progress in order to strengthen the control framework include:-

- Ensuring we have up to date business continuity plans for all services
- Ensuring we have up to date disaster recovery plans for major risk areas of the Council.
- Ensuring our Partnerships realise the benefits they are intended to achieve.
- Ensuring that Equalities Assessments is embedded in our decision making process.
- Strengthening our arrangements for managing and monitoring s106 agreements
- To update the Councils policies on Fraud and Debt Management and introduce regular briefings on these areas to Members.
- Improve benchmarking and Value For Money arrangements
- To develop the Council's Strategic IT and Property arrangements
- To continue to review the operation of and usage of SAP to ensure that the internal control framework remains robust.
- To update the Councils Financial Regulations.

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.

(DRAFT) INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TAUNTON DEANE BOROUGH COUNCIL

Opinion on the Council and Group accounting statements
I have audited the Council and Group accounting statements of Taunton Deane Borough Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The Council and Group accounting statements comprise the *Council and Group Movement in Reserves Statement, the Council and Group Comprehensive Income and Expenditure Statement, the Council and Group Balance Sheet, the Council and Group Cash Flow Statement, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement and Collection Fund* and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies. This report is made solely to the members of Taunton Deane Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Strategic Director and auditor
As explained more fully in the Statement of the Strategic Director's Responsibilities, the Strategic Director is responsible for the preparation of the Council and Group's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council and Group; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements
In my opinion the accounting statements:
• give a true and fair view of the state of Taunton Deane Borough Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
• give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
• have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception
I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Conclusion on Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Council's responsibilities
The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities
I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion
I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Council has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion
On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Taunton Deane Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate
I certify that I have completed the audit of the Council and Group accounts of Taunton Deane Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Brian Bethell
Officer of the Audit Commission

Audit Commission
Westward House
Lime Kiln Close
Stoke Gifford
Bristol
BS34 8SR

Movement in Reserves Statement

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

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	**Total Usable Reserves £'000**	Unusable Reserves £'000	**Total Council Reserves £'000**
Balance as 31 March 2009 carried forward	**1,574**	**6,531**	**2,757**	**1,024**	**614**	**0**	**1,740**	**14,240**	**311,217**	**325,457**
Movement in Reserves during 2009/10:										
Surplus or (deficit) on provision of services	4,655	0	(31)	0	0	0	0	**4,624**	0	**4,624**
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	**0**	4,386	**4,386**
Total Comprehensive Income and Expenditure	**4,655**	**0**	**(31)**	**0**	**0**	**0**	**0**	**4,624**	**4,386**	**9,010**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(3,830)	0	433	0	146	0	3,548	**297**	(298)	**(1)**
Net Increase/Decrease before transfers to Earmarked Reserves	**825**	**0**	**402**	**0**	**146**	**0**	**3,548**	**4,921**	**4,088**	**9,009**
Transfers (to)/from Earmarked Reserves (Note 8)	(835)	835	(513)	513	0	0	0	0	0	0
Increase/(Decrease) in 2009/10	**(10)**	**835**	**(111)**	**513**	**146**	**0**	**3,548**	**4,921**	**4,088**	**9,009**

Movement in Reserves Statement (continued)

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	**Total Usable Reserves £'000**	Unusable Reserves £'000	**Total Council Reserves £'000**
Balance as 31 March 2010 carried forward	**1,564**	**7,366**	**2,647**	**1,537**	**760**	**0**	**5,288**	**19,162**	**315,305**	**334,467**
Movement in Reserves during 2010/11:										
Surplus or (deficit) on provision of services	5,943	0	(76,329)	0	0	0	0	**(70,386)**	0	**(70,386)**
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	**0**	(7,512)	**(7,512)**
Total Comprehensive Income and Expenditure	**5,943**	**0**	**(76,329)**	**0**	**0**	**0**	**0**	**(70,386)**	**(7,512)**	**(77,898)**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(5,245)	0	74,315	0	194	0	(862)	**68,402**	(68,402)	**0**
Net Increase/(Decrease) before transfers to Earmarked Reserves	**698**	**0**	**(2,014)**	**0**	**194**	**0**	**(862)**	**(1,984)**	**(75,914)**	**(77,898)**
Transfers (to)/from Earmarked Reserves (Note 8)	431	(431)	956	(956)	0	0	0	**0**	0	**0**
Other movements	244	(76)	5	0	0	0	0	**173**	0	**173**
Increase/(Decrease) in 2010/11	**1,373**	**(507)**	**(1,053)**	**(956)**	**194**	**0**	**(862)**	**(1,811)**	**(75,914)**	**(77,725)**
Balance at 31 March 2011 carried forward	**2,937**	**6,859**	**1,594**	**581**	**954**	**0**	**4,426**	**17,351**	**239,391**	**256,742**

Comprehensive Income and Expenditure Statement

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

2009/10				2010/11		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
7,951	(7,072)	879	Central services to the public	8,459	(7,344)	1,115
17,791	(6,638)	11,153	Cultural, environmental, regulatory and planning services	18,580	(5,173)	13,407
4,215	(4,993)	(778)	Highways and transport services	4,772	(4,760)	12
20,064	(21,473)	(1,409)	Local Authority housing (HRA)*	95,926	(20,950)	74,976
28,523	(26,536)	1,987	Other housing services	31,603	(28,582)	3,021
1,370	(8)	1,362	Corporate & Democratic Core	1,374	(25)	1,349
531	(6)	525	Non distributed costs**	147	(9,869)	(9,722)
80,445	**(66,726)**	**13,719**	**Cost of Services**	**160,861**	**(76,703)**	**84,158**
		-	Exceptional items (Note 5,6)			(577)
		1,259	Other operating expenditure (Note 9)			1,502
		1,710	Financing and investment income and expenditure (Note 10)			3,728
		(21,313)	Taxation and non-specific grant income (Note 11)			(18,425)
		(4,625)	**(Surplus) or Deficit on Provision of Services**			**70,386**
		(29,798)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			17,184
		25,412	Actuarial (gains)/losses on pension assets/liabilities			(9,672)
		(4,386)	**Other Comprehensive Income and Expenditure**			**7,512**
		(9,011)	**Total Comprehensive Income and Expenditure**			**77,898**

*Included in the Local Authority Housing (HRA) line above is a revaluation loss of £74.7m this is due to a change in the adjustment factor used. More details of this are available in note 5 – Material Items of Income and Expense.

** Included in the Non-distributed costs line above is a past service gain of (£9.89m) this reflects the change in public sector pension increases being linked to the Consumer Pice Index (CPI) rather than the Retail Price Index (RPI).

Balance Sheet

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

The figures as at 1 April 2009 have been restated to show the opening effect of the transition to IFRS.

1 April 2009	31 March 2010			Note	31 March 2011	
£'000	£'000	£'000			£'000	£'000
279,491		300,255	Council Dwellings	12		205,340
67,874		76,561	Other Land and Buildings	12		77,715
1,125		3,035	Vehicles, Plant and Equipment	12		3,300
10,419		10,514	Infrastructure Assets	12		10,841
3,461		4,155	Community Assets	12		4,183
1,894		1,339	Assets under construction	12		1,558
2,874		3,329	Investment Property	13		3,029
1,183		923	Intangible Assets	14		674
3		3	Long Term Investments	15/16		3
157		176	Long Term Debtors	15		104
368,481		**400,290**	**Long Term Assets**			**306,747**
3,000	5,000		Short term Investments	15	2,000	
245	186		Assets Held for Sale	20	1,231	
193	169		Inventories	17	133	
6,378	11,177		Short Term Debtors	18	7,677	
3,144	4,407		Cash & Cash Equivalents	19	11,264	
12,960		**20,939**	**Current Assets**			**22,305**
(6,203)	(6,985)		Short Term Borrowing	15	(6,009)	
(7,285)	(8,919)		Short Term Creditors	21	(10,920)	
(13,488)		**(15,904)**	**Current Liabilities**			**(16,929)**
		405,325				**312,123**
0	0		Provisions		0	
(9,000)	(9,404)		Long Term Borrowing	15	(9,964)	
(33,497)	(61,454)		Other Long Term Liabilities	38	(45,417)	
0	0		Capital Grants Receipt in Advance		0	
(42,497)		**(70,858)**	**Long Term Liabilities**			**(55,381)**
325,456		**334,467**	**Net Assets**			**256,742**
14,240		19,162	Usable Reserves	22		17,351
311,216		315,305	Unusable Reserves	23		239,391
325,456		**334,467**	**Total Reserves**			**256,742**

Cashflow Statement

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

2009/10 £000		2010/11 £000
4,625	Net surplus or (deficit) on the provision of services	(70,386)
5,701	Adjustments to net surplus or deficit on the provision of services for non-cash movements	82,966
(563)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(1,012)
9,763	Net cash flows from Operating Activities (Note 24)	11,568
(9,712)	Investing Activities (Note 25)	(4,299)
1,212	Financing Activities (Note 26)	(412)
1,263	Net increase or decrease in cash and cash equivalents	6,857
3,144	Cash and cash equivalents at the beginning of the reporting period	4,407
4,407	**Cash and cash equivalents at the end of the reporting period (Note 19)**	**11,264**

Notes to the Core Financial Statements

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

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 ('the Code') and the Best Value Accounting Code of Practice 2010/11 ('BVACOP'), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

ii. Accruals of Income and Expenditure

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

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

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

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

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

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

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

iii. Cash and Cash Equivalents

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

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

iv. Exceptional Items

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

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

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

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

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

vi. Charges to Revenue for Non-Current Assets

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

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

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

vii. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

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

Post Employment Benefits

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

The Local Government Pension Scheme

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

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

- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the yeild on the iBoxx AA rated over 15 year Corporate Bond Index as at 31 March 2011 which has been chosen to meet the requirements of IAS19)..

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

  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price

  - property – market value.

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

  - current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Account to the services for which the employees worked
  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services line in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Surplus or Deficit on the Provision of Services line in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
  - contributions paid to the SCC pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

viii. Events After The Balance Sheet Date

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

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

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

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

ix. Financial Instruments

Financial Liabilities

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

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

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

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

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

Financial Assets

Financial assets are classified into two types:

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

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

Loans and Receivables

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

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

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

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

Available-for-Sale Assets

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

Instruments Entered Into Before 1 April 2006

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

x. Government Grants and Contributions

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

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

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

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

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

Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ring-fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Business Improvement Districts

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

xi. Intangible Fixed Assets

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

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

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

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

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

xii. Interests in Companies and Other Entities

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

xiii. Inventories and Long Term Contracts

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

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

xiv. Investment Property

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

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

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

xv. Jointly Controlled Operations and Jointly Controlled Assets

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

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

xvi. Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with the statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance or Housing Revenue Account balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or

Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

xvii. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (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 Assets Held for Sale.

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

xviii. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising

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

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

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

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

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

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

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive

Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

Componentisation

Where an item of Property, Plant and Equipment with a de minimus value of £500,000 or more has two or more major components, each with a cost that is significant in relation to the total cost of the asset and with different working lives, then the components of the asset are depreciated separately in line with the policies set out above. The purpose is to assist the Council in planning the costs of managing and replacing its asset-base – for example, if expensive specialist machinery inside a building needed to be replaced several times within the life of the building itself. It is considered that accurately componentising assets with a value of less than £500,000 would take up significant administration resources without adding any appreciable benefit for users of these accounts. A "significant cost" for components is taken to be 20% or more of the historical cost (or carrying value if historical cost is not available) of the asset in total. Where groups of similar assets have identifiable typical components (for example, council houses are of different types but all have kitchens and bathrooms) then componentisation is considered collectively as well as against individual asset values. In all cases, the aim is to meet appropriate accounting standards and provide meaningful information for users of these accounts at an acceptable cost in producing the data. This is a new requirement of the Code for 2010/11 onwards.

Disposals and Non-Current Assets Held for Sale

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

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

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

Where an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for the disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

xix. Private Finance Initiative (PFI) and Similar Contracts

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

xx. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts. The Council will not normally disclose contingent liabilities that are individually, or a group of a similar type, below a value of £50,000 on the grounds of materiality.

Contingent Assets

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

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

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

xxi. Reserves

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

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

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

xxii. Revenue Expenditure Funded from Capital under Statute

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

xxiii. VAT

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

xxiv. The Collection Fund

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

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

xxv. Accounting for Council Tax

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

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

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

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

xxvi. Accounting for National Non-Domestic Rates

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

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

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

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

The introduction of International Financial Reporting Standards (IFRS) to the public sector has required many changes to information reported and therefore data to be collected. For the year 2011/12 local authorities will be required to follow a new accounting standard (FRS30) for "heritage assets" which are "assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations". Detailed national guidance has not yet become available but is expected in guidance notes to be issued by CIPFA later in 2011/12. Draft guidance has been published that highlights some of the complications in, for example, finding a fair value for items which may be of great cultural value or community interest but with commercial values perhaps ranging from nil to significant amounts. The Council has already begun to consider how to best prepare for the new requirement.

3. Critical Judgements in Applying Accounting Policies

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

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

- After careful review, the Council was able to apply the now-mandatory Code of Practice in full since it had previously complied in full with the guidance.

- The opening balances as at 1 April 2010 have been restated as required by IFRS. The main changes are in the Balance Sheet, notably in showing "Property, plant and equipment" in a different format and requiring a thorough review of financial instruments and leases with significantly different treatment of "operating" and "finance" leases as described in Note 35. Considerable accounting judgement has been required to ensure that the changes are both correctly applied and made clear to a general reader, and some of the additional information needed to identify the effect of changes in accounting treatment has not previously been part of data collected during routine management of the Council's assets. The Council has therefore taken this opportunity to review its future information needs, with the aim of strengthening the underlying data routinely available for future Statements.

- The Council is a key partner in Project Firepool, one of the largest mixed use regeneration schemes in the south-west and one of the first key areas for "Project Taunton", a town-wide regeneration initiative which recognises the opportunity for the Council to be a lead partner providing further contributions to the continued growth and prosperity of Taunton. The Council has capitalised the costs of the project so far, which are mainly to do with the necessary planning and preparation for such a high-profile asset creation. At the time of preparing this Statement of Accounts the Council has no direct contractual involvement in construction, but has set up working links with its key partners to help provide appropriate information in the future.

- There is a high degree of uncertainty about future levels of funding for local government. The Council has therefore put significant senior management and transactional resources into identifying opportunities for both reducing costs and improving performance. From an accounting perspective, this has involved working with its partner Southwest One in further developing its Management Information System introduced in 2009/10 to focus and strengthen the quality, consistency and timeliness of internal budget-management information as described in Note 27. While it is possible that funding uncertainty might impair the Council's assets, for example by requiring the closure of specialist facilities currently valued in the balance-sheet as operational assets, at this stage the Council has determined that this uncertainty is not yet sufficient to indicate any impairment may become necessary.

- The Council's leisure facilities are run on its behalf by Tone Leisure (Taunton Deane) Limited, a charitable trust (number 1110756) and not-for-profit social enterprise working with South Hams District Council through its own group company as well as Taunton Deane. The council has the right to appoint two Councillors to the board of Tone Leisure Ltd, but does not have overall control of the trust and so accounts for the arrangement as an Associate. This means that the Council's group accounts include those of Tone Leisure. Since Tone Leisure as a charity does not yet have to report its accounts in IFRS format, its accounting bases are not the same as the Council's, but in this instance the differences are minimal and, in the opinion of the Council, do not affect the accuracy or fairness of the group accounts.

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

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

The items in the Council's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows overleaf:

Item	Significant Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment (PPE)	PPE assets are depreciated over useful lives that are chosen based on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. If the working lives change significantly as a result of the Council's review of its services then those useful lives may lengthen or shorten.	Depreciation is calculated to spread the cost of an asset over its estimated working life. If the working life is reduced, depreciation goes up and carrying-value goes down; if the working life is extended, depreciation goes down and so carrying value goes up. For example, with vehicles valued at £709k and an average working life of around five years, extending the life by 1 year would reduce annual depreciation by £30k.
	The carrying values of assets such as council houses depend very much on outside factors; for example, the significant revaluation in 2010/11 was due to a change in the discount factor applied nationally to social housing. This factor depends on market conditions such as the value of similar properties in an open market and rent yields for the private sector. For example, in 2005 when the present system was introduced, the discount factor for the SW was 44%; in 2010/11 it was 31%.	With council housing have a balance-sheet cost of around £300m, each 1% change in the social housing discount factor moves the valuation up or down by £30m while having no effect on the actual housing stock itself.
Pensions Liability	Estimates of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The Council works in partnership with other local authorities to engage a firm of consulting actuaries to provide expert advice about the assumptions to be applied, and reviews those assumptions in discussion with its partner councils. Part of the annual accounts process is to review previous assumptions and test them against what actually happened, to provide further data for future assumptions.	The effects on the net pension liability of many changes in individual assumptions can be measured. For example, if the discount rate (the expected yield on the corporate bond index) were to change by plus or minus 0.1% from its assumed 5.5%, then the projected service cost would be between £2.413m to £2.617m. A similar change of 1 year in the mortality age range assumption means the projected service cost could be from £2.392m to £2.640m.

Item	Significant Uncertainties	Effect if Actual Results Differ from Assumptions
	With so much national debate and change in pension provisions the assumptions are both difficult to predict from historical data and likely to change significantly in the short to medium term. The pensions liability and its underlying data is therefore very much a carefully reasoned estimate of the most likely combination of factors, but by its very nature is significantly uncertain.	However, the assumptions interact in complex ways; for example, pension membership may fall, the proportion of commutable pension exchanged by members for cash on retirement may go up while members live longer and equity yields improve.
Arrears	At 31 March 2011 the Council had a balance of council-tax debtors of £2.2m, down from the £2.4m the previous year and to be expected when collecting council tax of around £50m each year. The Council has made an impairment provision of £0.87m (3.9%) to cover debts that are not collectible for a variety of reasons; however, in the current economic climate the level of unpaid debts could change significantly at short notice.	The Council carried out a major review of impairment provisions in 2009/10 and so is confident that the current levels present a true and fair estimate of likely unpaid debts. However, the figures are large; with council tax income of over £50m this year from more than 40,000 households, a 0.1% change in the collection rate changes the amount collected by around £50k in a full year. The Council's collection rate for 2010/11 was over 99%.

5. Material Items of Income and Expense

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

There have also been revaluation decreases of £1.2m charged to the Cultural, environmental, regulatory and planning services line in the Comprehensive Income and Expenditure Statement in relation to properties held for Project Taunton. This is due to the demolition of several buildings to enable the redevelopment of the area.

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

Exceptional Items

The Council received a one-off windfall of £577,000 related to a refund of VAT on provision of leisure services – see Note 6 below.

6. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the S151 Officer on 30 June 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material aspects to reflect the impact of this information.

The financial statements and notes have been adjusted for the following event after the balance sheet date of 31 March 2011:

- There was a national claim that the UK had interpreted the European VAT regulations incorrectly over many years for tuition fees at leisure centres. This claim was upheld and the Council received confirmation in April/May 2011 of the amount to be refunded by HM Revenues and Customs. The amount receivable is £721,000 of VAT plus interest, less professional fees of £144,000, giving a net windfall income of £577,000. This amount has also been disclosed as an exceptional item in the Consolidated Income and Expenditure Statement.

7. Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

2010/11	Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation of non-current assets	(1,407)	(3,785)	0	0	0	5,192
Charges for impairment of non-current assets	(316)	7	0	0	0	309
Excess of depreciation charged to HRA services over the MRA	0	(466)	0	0	0	466
Revaluation losses on Property Plant and Equipment	(1,552)	(74,675)	0	0	0	76,227
Movements in the market value of Investment Properties	0	0	0	0	0	0
Amortisation of intangible assets	(208)	(64)	0	0	0	272
Capital grants and contributions applied	3,865	0	0	0	0	(3,865)
Revenue expenditure funded from capital under statute	(2,494)	(325)	0	0	0	2,819
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal of the Comprehensive Income and Expenditure Statement	(226)	(1,269)	0	0	0	1,495
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital	345		0	0	0	(345)

2010/11	Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
investment						
Capital expenditure charged against the General Fund and HRA balances	599	2,205	0	0	0	(2,804)
(continued)						
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	862	(862)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and Expenditure Account	214	814	(1,028)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	222	0	0	(222)
Contribution from the Capital Receipts Reserve towards the administrative costs of non-current asset disposals	0	(16)	16	0	0	0
Contribution from the Capital Receipt reserve to finance the payments to the central government capital receipts pool	(596)	0	596	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	0	0
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	0	3,785	0	(3,785)	0	0
Use of the Major Repairs Reserve to finance new Capital Expenditure	0	0	0	3,785	0	(3,785)
Adjustments primarily involving the Financial Instruments Adjustment Account:						

2010/11	Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0	39	0	0	0	(39)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	5,044	(678)	0	0	0	(4,366)
Employers pension contributions and direct payments to pensioners payable in the year	1,869	130	0	0	0	(1,999)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	176	0	0	0	0	(176)
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(68)	(17)	0	0	0	85
Total Adjustments	**5,245**	**(74,315)**	**(194)**	**0**	**862**	**68,402**

2009/10 Comparative Figures	Usable Reserves: General Fund Balance £'000	Usable Reserves: Housing Revenue Account £'000	Usable Reserves: Capital Receipts Reserve £'000	Usable Reserves: Major Repairs Reserve £'000	Usable Reserves: Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation of non-current assets	(1,380)	(3,704)	0	0	0	5,084
Charges for impairment of non-current assets	(121)	(203)	0	0	0	324
Excess of depreciation charged to HRA services over the MRA	0	(351)	0	0	0	351
Revaluation losses on Property Plant and Equipment	0	0	0	0	0	0
Movements in the market value of Investment Properties	456	0	0	0	0	(456)
Amortisation of intangible assets	(297)	(64)	0	0	0	361
Capital grants and contributions applied	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	(166)	(276)	0	0	0	442
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal of the Comprehensive Income and Expenditure Statement	(562)	(410)	0	0	0	972
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	364	0	0	0	0	(364)
Capital expenditure charged against the General Fund and HRA balances	493	1,286	0	0	0	(1,779)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	3,531	0	0	0	0	(3,531)
Application of grants to capital financing transferred to the Capital Adjustment Account	3,548	0	0	0	(3,548)	0
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and Expenditure Account	587	0	(587)	0	0	0

2009/10 Comparative Figures	Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	0	0
Contribution from the Capital Receipts Reserve towards the administrative costs of non-current asset disposals	(25)	0	25	0	0	0
Contribution from the Capital Receipt reserve to finance the payments to the central government capital receipts pool	(416)	0	416	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	0	0
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	0	3,704	0	(3,704)	0	0
Use of the Major Repairs Reserve to finance new Capital Expenditure	0	0	0	3,704		(3,704)
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0	39	0	0	0	(39)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,449)	(454)	0	0	0	4,904
Employers pension contributions and direct payments to pensioners payable in the year	2,359	0	0	0	0	(2,359)
Adjustments primarily involving the Collection Fund Adjustment Account:						

2009/10 Comparative Figures	**Usable Reserves** General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Amount by which council tax income credited to the Comprehensive income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(5)	0	0	0	0	5
(continued)						
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(87)	0	0	0	0	87
Total Adjustments	**3,830**	**(433)**	**(146)**	**0**	**(3,548)**	**298**

8. Transfers to/From Earmarked Reserves

The table below shows capital and revenue balances which are set aside for specific purposes. Details of movements on the major reserves are shown below.

	Balance at 1 April 2009 £'000	Transfers In 2009/10 £'000	Transfers Out 2009/10 £'000	**Balance at 31 March 2010 £'000**	Transfers In 2010/11 £'000	Transfers Out 2010/11 £'000	**Balance at 31 March 2011 £'000**
General Fund							
Capital financing reserve	1,045	200	(407)	838	15	(91)	762
Housing enabling	783	0	0	783	0	(184)	599
Self insurance fund	750	0	0	750	0	0	750
Asset management – Leisure	581	43	0	624	30	(22)	632
DLO trading account	507	170	(108)	569	0	0	569
LABGI	496	0	(73)	423	0	0	423
Planning delivery grant	285	508	0	793	35	(354)	474
Local plan enquiry	262	34	0	296	32	(17)	311
Growth point fund	239	0	(59)	180	0	0	180

	Balance at 1 April 2009 £'000	Transfers In 2009/10 £'000	Transfers Out 2009/10 £'000	**Balance at 31 March 2010 £'000**	Transfers In 2010/11 £'000	Transfers Out 2010/11 £'000	**Balance at 31 March 2011 £'000**
Home Improvement Agency	192	0	0	192	0	0	192
Core Council Review	63	411	(169)	305	4	(86)	223
DLO transformation	0	142	0	142	0	(33)	109
Eco Towns Projects	0	0	0	0	183	0	183
Asset management - General	0	95	0	95	49	0	144
Performance & Client Consultancy	0	0	0	0	144	0	144
Other earmarked reserves	1,251	255	(207)	1,299	393	(529)	1,163
Total General Fund	**6,454**	**1,858**	**(1,023)**	**7,289**	**885**	**(1,316)**	**6,858**
Housing Revenue Account (HRA)							
Capital Financing Reserve	765	1,669	(1,286)	1,148	0	(1,069)	79
DLO Transformation	0	0	0	0	113	0	113
Heating Reserve	260	130	0	390	0	0	390
Total HRA	**1,025**	**1,799**	**(1,286)**	**1,538**	**113**	**(1,069)**	**582**

Included in the reserves above is the Council's Self Insurance Fund. This is a sum of £750,000 which is set aside for self insurance in respect of property risks. The Stop Loss insurance policy for Council Dwellings has excesses of £50,000 per property and £250,000 per year.

9. Other Operating Expenditure

2009/10 £'000		**2010/11 £'000**
433	Parish Council precepts	422
416	Payments to the Government Housing Capital Receipts Pool	596
410	Gains/(losses) on the disposal of non-current assets	484
1,259	**Total**	**1,502**

10. Financing and Investment Income and Expenditure

2009/10 £'000		**2010/11 £'000**
(268)	Trading account (surpluses) and deficits	523
658	Interest payable and similar charges	643
2,379	Pensions interest cost and expected return on pensions assets	2,317
(603)	Interest receivable and similar income	(115)

(456)	Income and expenditure in relation to investment properties and changes in their Fair Value	360
1,710	**Total**	**3,728**

11. Taxation and Non Specific Grant Incomes

2009/10 £'000		2010/11 £'000
5,675	Council tax income	5,799
6,935	National non-domestic rates (NNDR)	7,615
1,624	Non-ringfenced government grants	1,146
7,079	Capital grants and contributions	3,865
21,313	**Total**	**18,425**

12. Property, Plant and Equipment

Movements in 2010/11	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Cost or Valuation							
At 1 April 2010	300,342	77,997	4,434	11,161	4,232	1,339	**399,505**
Additions	5,641	1,098	758	483	28	556	**8,564**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(24,559)	3,237	0	0	0	0	**(21,322)**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(74,675)	(914)	0	0	0	(337)	**(75,926)**
Derecognition - disposals	(1,082)	(95)	0	0	0	0	**(1,177)**
Assets reclassified (to)/from Held for Sale	(239)	(993)	0	0	0	0	**(1,232)**
At 31 March 2011	**205,428**	**80,330**	**5,192**	**11,644**	**4,260**	**1,558**	**308,412**
Accumulated Depreciation and Impairments							
At 1 April 2010	(88)	(1,435)	(1,399)	(648)	(77)	0	**(3,647)**
Depreciation Charge	(3,785)	(1,269)	(493)	(155)	0	0	**(5,702)**
Depreciation written out to the Revaluation Reserve	3,785	354	0	0	0	0	**4,139**
Depreciation written out to Surplus Deficit on Provision of Services	0	44	0	0	0	0	**44**

Movements in 2010/11	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	(309)	0	0	0	0	**(309)**
At 31 March 2011	**(88)**	**(2,615)**	**(1,892)**	**(803)**	**(77)**	**0**	**(5,475)**
Net Book Value As at 31 March 2011	**205,340**	**77,715**	**3,300**	**10,841**	**4,183**	**1,558**	**302,937**

Comparative Movements in 2009/10	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Cost or Valuation							
At 1 April 2009	279,491	69,575	2,070	10,917	3,538	1,894	**367,484**
Additions	4,695	1,027	470	245	694	1,339	**8,470**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	17,070	7,395	0	0	0	0	**24,465**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	**0**
Derecognition - disposals	(727)	0	0	0	0	0	**(727)**
Derecognition - other	0	0	1,894	0	0	(1,894)	**0**
Assets reclassified (to)/from Held for Sale	(187)	0	0	0	0	0	**(187)**
At 31 March 2010	**300,342**	**77,997**	**4,434**	**11,161**	**4,232**	**1,339**	**399,505**
Accumulated Depreciation and Impairments							
At 1 April 2009	0	(1,701)	(944)	(498)	(77)	0	**(3,220)**
Depreciation Charge	(3,704)	(1,127)	(455)	(150)	0	0	**(5,436)**
Depreciation written out to the Revaluation Reserve	3,704	1,628	0	0	0	0	**5,332**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(87)	(237)	0	0	0	0	**(324)**
At 31 March 2010	**(87)**	**(1,437)**	**(1,399)**	**(648)**	**(77)**	**0**	**(3,648)**
Net Book Value As at 31 March 2010	**300,255**	**76,560**	**3,035**	**10,513**	**4,155**	**1,339**	**395,857**

Depreciation

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

- Council Dwellings – The Major Repairs Allowance is used as a reasonable estimate for depreciation
- Other Land and Buildings – Straight Line allocation over a useful life of between 40-60 years
- Vehicles Plant and Equipment – Straight line basis over a useful life of between 4-10 years
- Infrastructure – Depreciation on a straight line basis of between 5-50 years.

Capital Commitments

The major commitments on the Council's Capital Programme in 2011/12 are:

Housing contracts to maintain the decent homes standard. The contractual commitment at 31 March 2011 amounted to: £3.6m.

At 31 March 2011 the contractual commitments for Project Taunton were approximately: £4.5m.

The Council has also entered into a contract for just over £1m in relation to the Mercury Abatement works at the Crematorium.

Similar commitments at 31 March 2010 were £3.55m for housing contracts and £1.45m for the General Fund Capital Programme.

Revaluations

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

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles Plant and Equipment £'000	Total £'000
Carried at historical cost	0	1,287	5,192	6,479
Valued at fair value as at:				
1 April 2007	0	4,270	0	4,270
1 April 2008	0	5,789	0	5,789
1 April 2009	0	34,205	0	34,205
1 April 2010	0	15,417	0	15,417
31 March 2011	205,428	19,362	0	224,790
Total Cost or Valuation	**205,428**	**80,330**	**5,192**	**290,950**

13. Investment Properties

	2010/11 £'000	2009/10 £'000
Balance at start of the year	**3,329**	**2,873**
Additions:		
Purchases	0	0
Subsequent Expenditure	0	0
Disposals	0	0
Net gains/losses from fair value adjustments	0	456
Transfers:		
To/from Property Plant and Equipment	0	0
Other Changes	(300)	0
Balance at end of the year	**3,029**	**3,329**

14. Intangible Assets

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

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

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £272,264.10 was charged to the relevant service or if the software is used across the whole of the Council it is charged to ICT and then apportioned across all services.

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

	Internally Generated Assets £000	Other Assets £000	2010/11 Total £000	Internally Generated Assets £000	Other Assets £000	2009/10 Total £000
Balance at the start of the year:						
Gross carrying amounts	0	2,194	2,194	0	2,093	2,093
Accumulated amortisation	0	(1,271)	(1,271)	0	(910)	(910)
Net carrying amount at the start of the year	**0**	**923**	**923**	**0**	**1,183**	**1,183**
Additions: Purchases	0	23	23	0	101	101
Amortisation for the period	0	(272)	(272)	0	(361)	(361)
Net carrying amount at end of year	**0**	**674**	**674**	**0**	**923**	**923**

Comprising:						
Gross carrying amounts	0	2,217	2,217	0	2,194	2,194
Accumulated amortisation	0	(1,543)	(1,543)	0	(1,271)	(1,271)
	0	**674**	**674**	**0**	**923**	**923**

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

Capitalised software	**Carrying Amount**		**Remaining Amortisation Period**
	31 March 2011 £'000	**31 March 2010 £'000**	
SAP System	80	91	8 years
IDOX Land Charges and Building Control Software	90	100	9 years
Choice Based Lettings System	111	125	8 years
Housing Management System	327	354	7 years

15. Financial Instruments

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

Financial Liabilities
A Financial Liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to the Council.
The Council's loan portfolio at year end consisted of PWLB debt and Market debt. Under the 2010/11 Code of Practice these forms of borrowing are measured at amortised cost. This form of measurement does not change the amount of cash paid under the terms of the loan but can impact on the charge made to the Comprehensive Income and Expenditure Statement.

Financial Assets
A Financial Asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to received cash or another financial asset.

The three classifications for financial assets under the 2010/11 Code of Practice are:
- Loans and Receivables
- Available for Sale
- Fair Value through Profit and Loss

The Council's portfolio of investments consists of: fixed term deposits, money market funds and call accounts. Term deposits, call accounts and debtors are classified as 'loans and receivables.' Money Market Funds are classified as Available for Sale.

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

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

Transaction Costs

Measurement at amortised cost permits transactions costs related to financial instruments to be attached to the loan or investment and charged to the Comprehensive Income and Expenditure Statement over the life of the instrument. Where these are considered to be immaterial they can be charged in full to the Comprehensive Income and Expenditure Account. The Council has taken the latter approach in 2010/11, shown in the table overleaf.

	Long-term		Current	
	31 March 2011 £'000	31 March 2010 £'000	31 March 2011 £'000	31 March 2010 £'000
Investments				
Loans and receivables	3	3	8,800	6,600
Available for Sale Financial Assets	0	0	3,500	2,000
Total Investments	**3**	**3**	**12,300**	**8,600**
Debtors				
Loans and receivables	104	176	53	56
Total Debtors	**104**	**176**	**53**	**56**
Total Financial Assets	**107**	**179**	**12,353**	**8,656**

	Long-term		Current	
	31 March 2011 £'000	31 March 2010 £'000	31 March 2011 £'000	31 March 2010 £'000
Borrowings				
Financial Liabilities at amortised cost	9,964	9,404	6,009	6,985
Total Financial Liabilities	**9,964**	**9,404**	**6,009**	**6,985**

Reclassifications

In 2009/10 the Council reclassified £5m of investments to cash and cash equivalents as part of the transition to International Financial Reporting Standards. This is because the investments were due to mature in one month or less and were readily convertible into known amounts of cash.

Income, Expense, Gains and Losses

	2010/11					2009/10				
	Financial Liabilities measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Financial Assets: Available for sale £'000	Assets and Liabilities at Fair Value through Profit and Loss £'000	Total £'000	Financial Liabilities measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Financial Assets: Available for sale £'000	Assets and Liabilities at Fair Value through Profit and Loss £'000	Total £'000
Interest Expense	(643)				**(643)**	(658)				**(658)**
Total expense in Surplus or Deficit on the Provision of Services	**(643)**				**(643)**	**(658)**				**(658)**
Interest Income		100	15		**115**		584	19		**603**
Total income in Surplus or Deficit on the Provision of Services		**100**	**15**		**115**		**584**	**19**		**603**

Fair Values of Assets and Liabilities

Financial assets and financial 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 using the following assumptions:

- Estimated ranges of interest rates at 31 March 2011 of 6.63% to 9.38% for loans from the PWLB and 4.25% for other loans receivable and payables, based on new lending rates for equivalent loans at that date.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months the carrying amount is assumed to be approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The Council's investments consisted of fixed term deposits, money market funds and call accounts. The maturity dates of these investments are within 12 months of the balance sheet date therefore the carrying value is assumed to be approximate to fair value. The fair values have been calculated as follows:

Financial Assets

	31 March 2011		31 March 2010	
	Carrying amount £'000	**Fair value £'000**	**Carrying amount £'000**	**Fair value £'000**
Investments				
Loans and Receivables	12,460	12,460	8,835	8,835

Financial Liabilities

	31 March 2011		31 March 2010	
	Carrying amount £'000	**Fair value £'000**	**Carrying amount £'000**	**Fair value £'000**
Borrowings				
Financial Liabilities	15,973	19,199	16,389	19,339

The fair value of the financial liabilities is higher than the carrying amount because the Council's Portfolio of loans has loans where the interest rate is higher than current market rates at the balance sheet date. This shows a notional future loss (based on the economic conditions as at 31 March 2011) arising from a commitment to pay interest to lenders above current market rates.

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

	Long-term		Current	
	31 March 2011 £'000	**31 March 2010 £'000**	**31 March 2011 £'000**	**31 March 2010 £'000**
Loans by Type				
Public Works Loan Board	6,125	6,000	0	6,176
Other Financial Institutions	3,839	3,404	6,009	809
	9,964	**9,404**	**6,009**	**6,985**
Loans by Maturity				
Less than 1 year	0	0	6,009	6,985
Between 1 and 2 years	801	404	0	0
Between 2 and 5 years	2,073	2,000	0	0
Between 5 and 10 years	0	0	0	0
More than 10 years	7,090	7,000	0	0
	9,964	**9,404**	**6,009**	**6,985**

16. Long Term Investments

The following shareholdings are included in Long-Term Investments:

2008/09 £	2009/10 £		2010/11 £
500	500	Southwest One Ltd	500
250	250	Wessex Reinvestent Society Ltd	250
750	**750**	**Total**	**750**

17. Inventories

2008/09 £	2009/10 £		2010/11 £
169	**193**	**Balance outstanding at start of year**	**169**
24	(24)	Net purchases and issues	(28)
0	0	Written off balances	(8)
193	**169**	**Balance outstanding at year-end**	**133**

18. Debtors

Current Debtors:

	31 March 2011 £000	31 March 2010 £000
Central Government	1,225	508
Other local authorities	1,466	668
NHS Bodies	35	32
Public corporations and trading funds	0	0
Other entities and individuals	4,951	9,969
Total	**7,677**	**11,177**

1 April 2009 Comparatives – due to the reporting capability of the legacy system it would take a disproportionate amount of time to provide the 2008/09 comparative figures in the new format compared to the benefit it would bring to the reader of the Statement of Accounts. It has therefore been agreed with External Audit to exclude these items.

Long term Debtors:

	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
Sundry Mortgages	74	75	77
Car/Bike Loans to Employees	29	80	39
Somerset County Council Loan	1	1	1
Tone Leisure Loan	0	20	40
Total	**104**	**176**	**157**

19. Cash and Cash Equivalents

1 April 2009 £'000	31 March 2010 £'000		31 March 2011 £'000
6	5	Cash Held by the Council	14
838	802	Bank current accounts	950
800	1,600	Call Accounts	1,800
0	2,000	Money Market Funds	3,500
1,500	0	Short-term deposits	5,000
3,144	**4,407**	**Total Cash and Cash Equivalents**	**11,264**

20. Assets Held for Sale

		Current		Non Current
	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000
Balance outstanding at start of year	186	245	0	0
Assets newly classified as held for sale				
- Property Plant and Equipment	1,231	186	0	0
- Additions	131			
Assets sold	(317)	(245)	0	0
Balance outstanding at year-end	**1,231**	**186**	**0**	**0**

21. Creditors

	31 March 2011 £'000	31 March 2010 £'000
Central government bodies	857	22
Other local authorities	2,174	512
NHS bodies	130	0
Public corporations and trading funds	41	0
Other entities and individuals	7,718	8,385
Total	**10,920**	**8,919**

1 April 2009 Comparatives – due to the reporting capability of the legacy system it would take a disproportionate amount of time to provide the 2008/09 comparative figures in the new format compared to the benefit it would bring to the reader of the Statement of Accounts. It has therefore been agreed with External Audit to exclude these items.

22. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

23. Unusable Reserves

1 April 2009 £'000	31 March 2010 £'000		31 March 2011 £'000
2,540	32,118	Revaluation Reserve	14,706
342,624	345,145	Capital Adjustment Account	270,476
(156)	(117)	Financial Instruments Adjustment Account	(78)
(33,497)	(61,454)	Pensions Reserve	(45,417)
(138)	(143)	Collection Fund Adjustment Account	33
(157)	(244)	Accumulated Absences Account	(329)
311,216	**315,305**	**Total Unusable Reserves**	**239,391**

Revaluation Reserve

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

1) Revalued downwards or impaired and the gains are lost.

2) Used in the provision of services and the gains are consumed through depreciation.

3) Disposed of and the gains are realised.

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

2009/10 £'000			2010/11 £'000
2,540	**Balance at 1 April**		**32,118**
30,254	Upwards revaluation of assets	3,610	
0	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(20,794)	
30,254	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(17,184)
(220)	Difference between fair value depreciation and historical cost depreciation	(228)	
(456)	Accumulated gains on assets sold or scrapped	0	
(676)	Amount written off to Capital Adjustment Account		(228)
32,118	**Balance at 31 March**		**14,706**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement. The account is credited with amounts set aside by the Council as finance for the cost of acquisition, construction and enhancement. The Account contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007 - the date that the Revaluation Reserve was created to hold such gains. Note 7 – Adjustments Between Accounting Basis and Funding Basis under Regulations, provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2009/10			**2010/11**
£'000			**£'000**
342,625	**Balance at 1 April**		**345,145**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(2,055)	Charges for depreciation and impairment of non-current assets	(2,182)	
0	Revaluation losses on Property, Plant and Equipment	(75,867)	
(361)	Amortisation of intangible assets	(272)	
(442)	Revenue Expenditure funded from capital under statute	(2,819)	
(972)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,495)	
338,795			(82,635)
220	Adjusting amounts written out of the Revaluation Reserve		229
339,015	Net written out amount of the cost of non-current assets consumed in the year		262,739
	Use of the Capital financing applied in the year:		
0	Use of the Capital Receipts Reserve to finance new capital expenditure	222	
3,322	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	3,865	
209	Application of grants to capital financing from the Capital Grants Unapplied Account	862	
364	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	345	
1,779	Capital Expenditure charged against the General Fund and HRA Balances	2,803	
334,689			8,097
456	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(360)
345,145	**Balance at 31 March**		**270,476**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result the balance on the Account at 31 March 2011 will be charged to the General Fund over the next two years.

2009/10 £'000			2010/11 £'000
(156)	**Balance at 1 April**		**(117)**
39	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	39	
0	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	0	
39	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		39
(117)	**Balance at 31 March**		**(78)**

Pensions Reserve

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

2009/10 £'000	***Pension reserve***	2010/11 £'000
(33,497)	**Balance at 1 April**	**(61,454)**
(25,412)	Actuarial gains or (losses) on pensions assets and liabilities	9,672
(4,904)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	4,366
2,359	Employer's pensions contributions and direct payments to pensioners payable in the year	1,999
(61,454)	**Balance at 31 March**	**(45,417)**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2009/10 £'000		2010/11 £'000
(138)	**Balance at 1 April**	**(143)**
(5)	Amount by which council tax income is credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	176
(143)	**Balance at 31 March**	**33**

Accumulated Absences Account

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

2009/10		2010/11	
£'000		£'000	£'000
(157)	**Balance at 1 April**		**(244)**
157	Settlement or cancellation of accrual made at the end of the preceding year	244	
(244)	Amounts accrued at the end of the current year	(329)	
(244)	Amount by which officer remuneration charged to the Comprehensive income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements		(85)
(244)	**Balance at 31 March**		**(329)**

24. Cash Flow Statement – Operating Activities

The surplus/deficit on provision of services includes the following items:

2009/10 £'000		2010/11 £'000
(751)	Interest Received	(169)
685	Interest Paid	644
0	Dividends Received	0
(66)		**475**

Adjustments to the Net Surplus/Deficit on Provision of Services for non-cash items:

2009/10 £'000		2010/11 £'000
5,436	Depreciation	5,658
324	Impairment and Downward Valuations	76,236
361	Amortisation	272
123	Increase/(Decrease) in impairment for Provision for Bad Debts	(199)
1,000	Increase/(Decrease) in Creditors	3,059
(5,609)	(Increase)/Decrease in Debtors	2,422
24	(Increase)/Decrease in Inventory	36
2,545	Pension Liability	(6,365)
972	Carrying amount of non current assets sold	1,494
(456)	Movements in the Value of Investment Properties	360
981	Other non cash movements	(7)
5,701		**82,966**

Items extracted from the net surplus/deficit on provision of services as they are included in Investing Activities (Note 25):

2009/10 £'000		2010/11 £'000
(563)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,012)
(563)		**(1,012)**

25. Cash Flow Statement – Investing Activities

2009/10 £'000		2010/11 £'000
(8,275)	Purchase of property plant and equipment, investment property and intangible assets	(8,311)
(132,455)	Purchase of short-term and long-term investments	(100,180)
0	Other payments for investing activities	0
563	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,012
130,455	Proceeds from short-term and long-term investments	103,180
0	Other receipts from investing activities	0
(9,712)	**Net cash flows from investing activities**	**(4,299)**

26. Cash Flow Statement – Financing Activities

2009/10 £'000		2010/11 £'000
7,212	Cash receipts of short-term and long-term borrowing	11,588
0	Other receipts from financing activities	0
0	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	0
(6,000)	Repayment of short-term and long-term borrowing	(12,000)
0	Other payments for financing activities	0
1,212	**Net cash flows from financing activities**	**(412)**

27. Amounts Reported for Resource Allocation Decisions

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

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

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

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

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

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

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

The Council's Corporate Scrutiny Committee meeting of 5 July 2011 received a full report of performance and budget performance for 2010/11. Information considered there included:

(a) Summary scorecard report – provided to show the reader a typical internal management report:

As at: 27/06/2011 **TDBC SCORECARD Q4 2010/11** (Appendix A)

3. MANAGING FINANCES (ref **separate Budget Outturn report** for detailed budget monitoring)

Ref	OBJECTIVES	MEASURES	ALERT	ISSUES (current & future) and IMPACTS
3.1	**Budget monitoring** To control spending within approved budget total for the year	**General Fund Revenue** within 0.5% = 0.5 – 2% = over 2% =	Green	**2010/11 Outturn = underspend of £0.492m** **Please refer to separate Budget Outturn report**
		General Fund Capital within 2% = 2 – 3.5% = over 3.5% =	Green	Total expenditure for the year **£4.884m** (= **£2.146m underspend**). A budget carry forward of £2.179m is recommended which means the "real" position is an overspend of just £33,000 **Please refer to separate Budget Outturn report**
		Housing Revenue (HRA) within 0.5% = 0.5 – 2% = over 2% =	Red	**2010/11 Outturn = overspend of £0.758m** This is largely due to the negative subsidy being much higher than budgeted. **Please refer to separate Budget Outturn report**
		HRA Capital within 2% = 2 – 3.5% = over 3.5% =	Amber	**2010/11 Outturn = overspend of £0.195m** **Please refer to separate Budget Outturn report**
3.2	**Reserves** To maintain an adequate reserve (based on financial risk analysis)	**General Fund reserve** >£1.25m = £1 - £1.25m = <£1m =	Green	**£3.166m** as at end March 2011 This is well above the minimum reserves expectation within the Budget Strategy. **Please refer to separate Budget Outturn report**
3.3	**Next year's budget gap**	A balanced budget 2011/12	Green	The Budget approved by Full Council on 22 February is a balanced budget with a nil budget gap.

(b)

2010/11 Budget Outturn report – Appendix A General Fund:

2009/10 £		2010/11 £
144,629	Communications & Community Leadership	1,309,345
1,120,382	Corporate Resources	790,157
1,331,786	Economic Dev. Property & Tourism	3,497,673
4,530,529	Environmental Services	4,112,824
1,522,350	General Services	1,673,209
2,219,555	Housing Services	2,325,718
437,313	Planning Policy & Transportation	1,346,580
2,911,653	Sports, Parks & Leisure	2,953,568
14,218,197	**Total Service Expenditure**	**18,009,074**
(1,535,320)	Capital Charges Credit	(5,616,410)
217,663	Interest Payable on Loans	190,953
Included above	Soft Loan	169
364,408	Minimum Revenue Provision	344,596
(197,134)	Interest Income	(82,576)
(370,716)	VAT Interest Income (Exceptional item)	(253,843)
	VAT Repayment (exceptional Item)	(323,521)
0	DLO Trading Account Contribution to GF	(73,600)
(355,536)	DLO Trading (Surplus)/Deficit	5,410
102,504	Deane Helpline (Surplus)/Deficit	120,086
855,757	Net Earmarked Reserves Transfers	(430,778)
493,155	Revenue funding of capital expenditure	599,084
Included above	Area Based Grant	(40,175)

13,792,978	**Authority Expenditure**	**12,448,469**
30,620	Special Expenses	47,050
13,823,598	**Borough Expenditure**	**12,495,519**
402,703	Parish Precepts	421,944
14,226,301	**Budget Requirement**	**12,917,463**
(6,935,368)	Contribution from NNDR Pool	(7,615,394)
(1,600,772)	Revenue Support Grant	(1,105,826)
81,600	Surplus on Collection Fund: Council Tax	130,210
(5,761,663)	Council Tax	(5,928,664)
10,098	**Contribution (to)/from General Fund Balances**	**(1,602,211)**

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

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

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

2009/10 £		**2010/11** **£**
	Income	
(20,006,633)	Dwelling Rents	(19,816,792)
(364,621)	Non Dwelling Rents	(481,335)
(398,892)	Charges for Services/Facilities	(462,323)
(246,820)	Contribution towards expenditure on estates	(246,516)
(455,896)	Supporting People	(9,848)
5,874,006	Government Subsidy	6,305,923
-	Subsidy-Housing Defects Act	-
(15,598,856)	**Total Income**	**(14,710,891)**
	Expenditure	
3,864,386	Management General	3,819,282
5,876,152	Maintenance	6,127,059
3,704,420	Capital Charges – depreciation	3,785,000
0	Provision for Bad Debt	844
21,157	Debt Management expenses	905
13,466,115	**Total Expenditure**	**13,733,090**
(2,132,741)	**Net Cost of Services**	**(977,801)**
	Other operating costs and income	
0	CDC Costs	172,510
440,766	Loan Charges – interest	452,327

(35,170)	Interest Receivable	(32,630)
(1,727,145)	**Net Operating Expenditure**	**(385,594)**
	Appropriations	
130,000	Transfer to Earmarked Reserve	113,000
0	Transfer from HRA Capital reserve	(1,069,070)
0	Transfer to GF Procurement Savings	391,380
0	Transfer from GF to Repay ISIS Project Invest to Save	(200,000)
1,669,330	Revenue Contributions to Capital	2,204,447
72,185	**(Surplus)/Deficit**	**1,054,163**

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

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Reconciliation of Budget Outturn reports Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

	2010/11 £000	**2009/10 £000**
Net expenditure in the General Fund segmental analysis – **Total Service Expenditure**	18,009	14,218
Adjustments as a result of the audit process	229	0
Net expenditure of services and support services not included in the analysis – pensions etc – annual cost, IFRS adjustment, etc	(8,883)	166
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis – – not identified as individually material and so aggregated	(173)	744
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	0	0
Cost of Services in Comprehensive Income and Expenditure Statement – GF	**9,182**	**15,128**
Net expenditure in the HRA segmental analysis – **Net Cost of Services**	(978)	(2,132)
Net expenditure of services and support services not included in the outturn analysis – HRA revaluation	74,679	0
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis – identified as individually material	610	32
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis – not identified as individually material and so aggregated	665	691
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement Cost of Services	0	0
Cost of Services in Comprehensive Income and Expenditure Statement - HRA	**74,976**	**(1,409)**
Cost of Services in Comprehensive Income and Expenditure Statement - total	**84,158**	**13,719**

While the Council routinely confirms its various internal management reports with external reports at headline level, and has always monitored individually material items with different accounting treatments such as employee pension costs, up until now it has not been practicable to reconcile in detail the whole range of reports presented to various audiences covering gross expenditure of some £150m. As the Council further develops its relatively new SAP Management Information System it will strengthen these reconciliations; enabling users of its financial statements to evaluate the nature and financial effects of all the activities in which it engages and the economic environments in which it operates, while balancing this against the cost of producing extremely detailed historical information.

Reconciliation of Subjective Analysis

As well as the “segmental” outturn reports above, the CIPFA Code of Practice specifies a ‘subjective analysis’ that shows the Council’s income and spending across a range of headings such as employee costs, supplies & services, and premises costs. The Council has designed its coding structure so that subjective analysis reports can be produced at any time, but since those reports are not currently used for management control, for clarity they have not been reproduced here. This practice will be reviewed in future years, particularly if there is a demand from the public.

28. Trading Operations

The council has four ex Direct Service Organisations (DLOs), 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.

		2008/09		**2009/10**		**2010/11**	
		£’000	**£’000**	**£’000**	**£’000**	**£’000**	**£’000**
Building Maintenance	Turnover	4,010		4,450		4,443	
	Expenditure	(3,919)		(4,124)		(4,246)	
	Surplus/(Deficit)		**91**		**326**		**197**
Highways DLO	Turnover	834		768		853	
	Expenditure	(839)		(757)		(870)	
	Surplus/(Deficit)		**(5)**		**11**		**(17)**
Grounds Maintenance DLO	Turnover	2,980		2,980		2,796	
	Expenditure	(3,068)		(2,963)		(2,868)	

		2008/09		2009/10		2010/11	
	Surplus/(Deficit)		**(88)**		**17**		**(72)**
Cleansing DLO	Turnover	770		673		642	
	Expenditure	(791)		(670)		(675)	
	Surplus/(Deficit)		**(21)**		**3**		**(33)**
Net DLO Surplus/(Deficit)			**(23)**		**357**		**75**
Deane Helpline	Turnover	904		853		876	
	Expenditure	(910)		(942)		(1,060)	
	Surplus/(Deficit)		**(6)**		**(89)**		**(184)**
Net Trading Surplus/(Deficit)			**(29)**		**268**		**(109)**

Reconciliation to show the movement in the Trading Operations Note - Net Trading Surplus/(Deficit) and the amount included in the Comprehensive Income and Expenditure Statement under the Financing and Investment Income and Expenditure line (Note 10) for 2010/11

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

29. Members' Allowances

	2010/11 £'000	**2009/10 £'000**
Allowances	330	332
Expenses	8	8
Total	**338**	**340**

30. Officers' Remuneration

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

		Salary, Fees and Allowances £	Expenses Allowances £	Compensation for Loss of Office £	Total Remuneration excluding pension contributions £	Pension Contribution £	Total £
Chief Executive	2010/11	100,786	4,317		105,103	15,118	120,221
	2009/10	100,786	5,852		106,638	15,047	121,685
Strategic Director A	2010/11	72,641	3,685		76,326	11,337	87,663
	2009/10	71,391	3,631		75,022	11,260	86,282
Strategic Director B	2010/11	49,793	3,843		53,636	7,188	60,824
	2009/10	36,315	3,958		40,273	12,507	52,780
Strategic Director C	2010/11	72,641	4,873		77,514	10,896	88,410
	2009/10	71,391	3,983		75,374	10,786	86,160
Strategic Director D	2010/11	74,391	3,692		78,083	11,158	89,241
	2009/10	71,641	3,576		75,217	10,823	86,040
Head of Strategy	2010/11	53,331	778		54,109	7,999	62,108
	2009/10	52,796	319		53,115	7,702	60,817
Head of Growth and Development	2010/11	52,831	3,031		55,862	7,924	63,786
	2009/10	50,454	2,907		53,361	7,555	60,916

		Salary, Fees and Allowances £	Expenses Allowances £	Compensation for Loss of Office £	Total Remuneration excluding pension contributions £	Pension Contribution £	Total £
Head of Community Services	2010/11	54,290	1,458	0	55,748	7,962	63,710
	2009/10	52,652	1,621	0	54,273	7,704	61,977
Head of Legal and Democratic	2010/11	57,679	203	0	57,882	8,652	66,534
	2009/10	57,091	240	0	57,331	8,655	65,986
Head of Performance and Client	2010/11	61,081	5,805	0	66,886	9,162	76,048
	2009/10	57,796	5,575	0	63,371	8,574	71,945
Head of DLO	2010/11	50,282	3,477	0	53,759	7,962	61,721
	2009/10	54,667	4,004	0	58,671	8,932	67,603
Chief Housing Officer	2010/11	0	0	0	0	0	0
	2009/10	52,422	1,675	128,026	182,123	7,795	189,918
Leisure Development Manager	2010/11	0	0	0	0	0	0
	2009/10	39,211	3,021	162,694	204,926	5,805	210,731
Operations Manager Environmental	2010/11	0	0	0	0	0	0
	2009/10	42,510	3,058	80,968	126,536	6,334	132,870

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

Remuneration band	2010/11	2009/10
£50,000 - £54,999	6	6
£55,000 - £59,999	2	5
£60,000 - £64,999	0	4
£65,000 - £69,999	1	6
£70,000 - £74,999	0	1
£75,000 - £79,999	0	0
£80,000 - £84,999	0	1
£85,000 - £89,999	3	3
£90,000 - £94,000	0	0
£95,000 - £99,999	0	0
£100,000 - £104,999	0	0
£105,000 - £109,999	0	2
£110,000 - £114,999	0	0
£115,000 - £119,999	0	0
£120,000 - £124,999	1	1
£130,000 - £134,999	0	1
£185,000 - £189,999	0	1
£210,000 - £215,999	0	1

31. External Audit Costs

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

	2010/11 £'000	2009/10 £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor*	150	93
Fees payable to the Audit Commission for the certification of grant claims and returns	34	60
Fees payable in respect of other services provided by Audit Commission during the year	3	0
Total	**187**	**153**

*The figures for 2010/11 include three instalments from 2009/10.

32. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

	2010/11 £000	2009/10 £000
Credited to Taxation and Non Specific Grant Income		
Council Tax Income	5,799	5,762
Non-domestic Rates	7,615	6,935
Revenue Support Grant	1,106	1,601
Area Based Grant	40	23
Capital Gants	3,865	7,079
	18,425	**21,400**
Credited to Services		
Council Tax Benefit	6,768	6,450
Rent Allowances	16,472	14,883
Rent Rebates	11,648	10,841
Other Grants	2,251	2,720
Total	**37,139**	**34,894**

33. Related Parties

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

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

Members
Members of the Council have direct control over the Council's financial and operating policies. The total members allowances paid in 2010/11 is shown in Note 28. During 2010/11 works and services to the value of £553,264 were commissioned from companies in which 8 members had an interest. Contracts were entered into in full compliance with the council's standing orders. In addition, the Council paid grants totalling £208,260 to voluntary organisations in which no members had positions on the governing body. No grants were made to organisations whose senior management included close members of the families of members. Details of all these transactions are recorded in the Register of Members Interests, open to public inspection at the council office during office hours.

Officers
During 2010/11 no officers of the council declared any pecuniary interest in any works, services or grants commissioned or awarded by the council.

34. Capital Expenditure and Capital Financing

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

Capital Financing Requirement (CFR)	**2010/11 £'000**	**2009/10 £'000**
Opening Capital Financing Requirement	**23,036**	**23,402**
Capital Investment		
Property Plant and Equipment	8,564	8,471
Assets Held for Sale	131	0
Investment Properties	0	0
Intangible Assets	24	101
Revenue Expenditure Funded from Capital Under Statute	2,818	1,132
	11,537	**9,704**
Sources of Finance		
Capital Receipts	(222)	0
Government Grants and Other Contributions	(4,727)	(4,220)
Major Repairs Allowance	(3,785)	(3,704)
Sums Set Aside from Revenue		
Direct Revenue Contributions	(2,803)	(1,782)
Minimum Revenue Provision	(345)	(364)
	(11,882)	**(10,070)**
Closing Capital Financing Requirement	**22,691**	**23,036**

Explanation of movements in the Capital Financing Requirement in year:

	2010/11 £'000	**2009/10 £'000**
Decrease in underlying need to borrow (unsupported by government financial assistance)	(345)	(366)
Decrease in the Capital Financing Requirement	**(345)**	**(366)**

35. Leases

Council as Lessee

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

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

Prior to IFRS all the Council's leases were classed as operating leases. During the transition to IFRS all lease details have been reviewed, and leases have continued to be recorded as operating although with a small number of vehicle leases (mainly those ending during 2011/12) the classification is subject to further information becoming available.

Operating Leases

The Council has recorded 82 leases for vehicles ranging from vans, lorries and cars to specialist mowers. Lease periods range from 1 to 7 years, most commonly 5 years, and all current operating leases expire by December 2014. The total of future minimum lease payments due in future years are:

	31 March 2011 £'000	31 March 2010 £'000
Not later than one year	97	74
Later than one year and not later than five years	136	208
Later than five years	0	0
Total payments due in future years	**233**	**282**

All leased vehicles are used by Taunton Deane DLO, and the total lease payments charged to the "(Surpluses) deficits on trading activities not included in net cost of services" line in note 10 to the Comprehensive Income and Expenditure Statement during the year 2010/11 was:

	2010/11 £'000	2009/10 £'000
Minimum lease payments	175	184
Contingent rents	0	0
Total expenditure charged	**175**	**184**

Council as Lessor

The Council as lessor has not granted any finance leases.

Operating Leases

As part of its work to support local communities, the Council has granted leases in respect of a number of its properties (principally commercial premises and business units) which were treated as operating leases prior to the IAS17 IFRS changes and which still meet the new criteria for operating leases. Periods range from rolling 1-week notice periods to 999 years.

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

Operating leases:	**31 March 2011 £'000**	**31 March 2010 £'000**
Not later than one year	650	597
Later than one year and not later than five years	2,932	n/a
Later than five years and not later than ten years.	2,469	n/a
Total payments due in future years	**6,051**	**597**

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

36. Impairment Losses

During 2010/11, the Council has recognised impairment losses of £326,500 in relation to two of it's car parks. This is due to a fall in income due to a reduction in the number of spaces available in the car park. The impairment losses were charged to the Highways and Transport Services line in the Comprehensive Income and Expenditure Statement.

37. Termination Benefits

The Council terminated the contracts of 6 employees in 2010/11, incurring liabilities of £55,600.

38. Defined Benefit Pensions Schemes

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

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

Transactions relating to retirement benefits

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

	Local Government Pension Scheme	
	2010/11 £'000	2009/10 £'000
Comprehensive Income and Expenditure Statement (CIES)		
Cost of Services:		
Current service cost	3,181	2,141
Past service costs	(9,890)	0
Settlements and curtailments	26	384
	(6,683)	**2,525**
Financing and Investment Income and Expenditure		
Interest Cost	6,660	5,221
Expected return on scheme assets	(4,343)	(2,842)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(4,366)**	**4,904**
Other Post Employment Benefit Charged to the CIES		
Actuarial Gains and Losses	(9,672)	25,412
Total Post Employment Benefit Charged to the CIES	**(9,672)**	**25,412**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	**4,366**	**(4,904)**
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers contributions payable to scheme	**1,999**	**2,359**

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial gains of £9,672,000 (2009/10 losses of £25,412,000) were included in the Movement in Reserves Statement.

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2010/11 is a loss of £15,285,000.

Assets and Liabilities in Relation to Post-employment Benefit

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

	Funded Liabilities: Local Government Pension Scheme	
	2010/11 £'000	2009/10 £'000
Opening balance at 1 April	**(120,887)**	**(78,526)**
Current service cost	(3,181)	(2,141)
Interest cost	(6,660)	(5,221)
Contributions by scheme participants	(848)	(870)
Actuarial (gains) and losses	8,534	(37,964)
Benefits paid	3,979	4,072

Past service costs	9,890	0
Curtailments	(26)	(384)
Settlements	0	0
Unfunded pension payments	146	147
Closing balance at 31 March	**(109,053)**	**(120,887)**

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

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

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2010/11 £'000	**2009/10 £'000**
Opening balance at 1 April	**59,433**	**45,029**
Expected rate of return	4,343	2,842
Actuarial gains and losses	1,138	12,552
Employer contributions	1,999	2,359
Contributions by scheme participants	848	870
Benefits Paid	(4,125)	(4,219)
Closing balance at 31 March	**63,636**	**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.

Scheme History

	2006/07 £'000	**2007/08 £'000**	**2008/09 £'000**	**2009/10 £'000**	**2010/11 £'000**
Present value of liabilities	(92,848)	(84,854)	(78,526)	(120,887)	(109,053)
Fair value of assets	72,484	62,403	45,029	59,433	63,636
Surplus/(Deficit) in the scheme	**(20,364)**	**(22,451)**	**(33,497)**	**(61,454)**	**(45,417)**

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £45,417,000 has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £59,433. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year 31 March 2012 is: £1,993,000.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. The Local Government Pension Scheme have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the Council Council Fund being based on the latest full valuation of the scheme as at 31 March 2011.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2010/11	**2009/10**
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.7%	7.8%
Government Bonds	4.4%	4.5%
Corporate Bonds	5.5%	5.5%
Property	6.8%	6.9%
Cash	3.0%	3.0%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	19.8	19.8
Women	23.9	22.5
Longevity at 65 for future pensioners:		
Men	21.9	20.4
Women	25.8	23.1
RPI Increases	3.5%	3.9%
CPI Increases	2.7%	n/a
Rate of increase in salaries	5.0%	5.4%
Rate of increase in pensions	2.7%	3.9%
Rate for discounting scheme liabilities	5.5%	5.5%
Take-up of option to convert annual pension into retirement lump sum	50%	50%

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

	31 March 2011	31 March 2010
Equity Investments	74%	72%
Gilts	6%	7%
Other Bonds	12%	11%
Property	7%	8%
Cash	1%	2%

History of Experience Gains and Losses

The actuarial gains identified as movements in the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2010/11 %	2009/10 %	2008/09 %	2007/08 %	2006/07 %
Differences between the expected and actual return on assets	1.8%	21.1%	(45.3%)	(22.6%)	5.4%
Experience gains and losses on liabilities	(1.1%)	0.0%	0.0%	(1.0%)	0.0%

39. 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 £0.808m (2009/10 £1.934m). The Council's equity interest in Tone Leisure as shown in these Group Accounts takes into account the potential liability

40. Contingent Assets

After a review there have been no contingent assets identified for the Council in 2010/11.

41. Nature and Extent of Risks Arising From Financial Instruments

The Council '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 Council 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

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

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. The Council actively minimises credit risk as much as practicable through its treasury management strategy; 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 Council also has a policy of not lending more than £3.5 million to one institution.

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

	Amount at 31 March 2011 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2011 %	Estimated maximum exposure to default and uncollectability at 31 March 2011 £000	Estimated maximum exposure at 31 March 2011 £000
	A	B	C	(A X C)	
Investments (current assets) – money market funds	2,000	0	0	0	0
Included in cash and cash equivalents – temporary deposits	10,300	0	0	0	0
				0	0

While the Council generally receives money in advance for fees and charges such as planning applications, and so has no credit risk there, a significant amount of council tax payers use the monthly instalment system and the Council also has revenue debtors for a range of other services it provides. As an indication of the credit risk born by the Council, the table on the next page analyses the Council's main year-end debtor report by age of past due but not impaired amounts:

31 March 2010 Trade Debtors £'000		31 March 2011 Trade Debtors £'000	31 March 2011 Impairment £'000	31 March 2011 Trade Debtors not Impaired £'000
1,878	Less than three months	2,012	0	2,012
452	Over three months up to six months	492	0	492
2,127	Over six months up to one year	156	42	114
0	More than one year	990	231	759
4,457		**3,650**	**273**	**3,377**

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

The maturity analysis of financial liabilities is as follows:

	31 March 2011 £'000	31 March 2010 £'000
Less than one year	6,009	6,985
Between one and two years	801	404
Between two and five years	2,073	2,000
More than five years	7,090	7,000
	15,973	**16,389**

Market Risk

Interest Rate Risk

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

Borrowings at variable rates – the interest expense charged to Surplus or Deficit on the Provision of Services will rise.

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

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

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

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

The 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:

	2010/11 £'000	2009/10 £'000
Increase in interest payable on variable rate borrowings	(none for 2010/11)	60
Increase in interest receivable on variable rate investments		(186)
Decrease in deficit on Income and Expenditure Account		(126)
Share of overall impact debited/(credited) to the HRA	0	12

Price Risk

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

Foreign Exchange Risk

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

42. Transition to IFRS

As 2010/11 is the first year that local authorities are required to prepare their accounts under IFRS, there are specific transitional arrangements that apply only in this first year. IFRS 1 First-time Adoption of International Financial Reporting Standards is the IFRS that sets out these specific transitional arrangements, and the Code requires authorities to follow this standard, except where interpretations or adaptations to fit the public sector are detailed in the Code. IFRS 1 sets out the principles to be followed when adopting IFRS for the first time, and also sets out some limited exceptions to those principles. These exceptions are intended to ensure that the first set of financial statements to be based on IFRS can be generated at a cost that does not exceed the benefits (see IFRS 1, paragraph 1). The size of the task is indicated by the fact that the Local Authority Code of Practice 2010/11 produced by CIPFA runs to 278 pages while the Guidance Notes to the Code are a further 760 pages.

The main financial statements and notes in this document have all been prepared in accordance with IFRS and the new Code. After careful consideration the Council has decided that the cost in time, money and alternative use of resources of explaining each and every detailed change would not provide any meaningful benefit to the general reader. Instead, where appropriate (such as at the start of the Foreword on page 2) a short description of the effects of the change to IFRS has been included in each section. In addition, the most significant areas affected are:

- Capital grants - amounts of grants unapplied would have been recognised as liabilities under the SORP, but under IFRS these amounts would have been recognised as income and transferred to the Capital Grants Unapplied Account within the Reserves section of the Balance Sheet.

- Classification of leases – now identified as ‘operating’ or ‘finance’ leases based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or lessee.

- What were ‘fixed assets’ are now described as “Property, plant and equipment” with differing requirements for the basis of asset valuations, primarily based on identifying component parts of assets that have significant costs and significantly different economic lives to the rest of the asset.

- Employee benefits – IFRS introduces a specific requirement for entities to accrue for staff benefits, including paid leave, that are not taken at the balance sheet date even if there is no prospect of the employer actually making any payment for those accrued benefits outside normal employee remuneration.

- Disclosures – IFRS contains a significant number of additional disclosure requirements over and above those previously required by the Local Authority Statement of recommended Practice. While some disclosures simply require the publication of existing data, in many cases there has been a significant impact on the time and cost of data collection for the Council.

The greatest affect of IFRS on the Accounts for the Council was in relation to grants unapplied. The impact on the 2009/10 Comprehensive Income and Expenditure Account was increased grant income being recognised of £7m. The other changes made to the comparative figures for 2008/09 and 2009/10 were not material adjustments.

Housing (HRA) Income and Expenditure Account

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

2009/10			Note	2010/11	
£'000	£'000			£'000	£'000
		Income			
	(19,521)	Dwelling rents	F		(19,817)
	(364)	Non dwelling rents			(481)
	(1,132)	Charges for services/facilities			(709)
	(456)	Contributions towards expenditure			(210)
	(21,473)				(21,217)
		Expenditure			
3,597		Supervision and Management		4,167	
5,873		Repairs and Maintenance		6,158	
90		Rents, Rates, Taxes and Other Charges		59	
5,874		Housing Revenue Account Subsidy Payable	I	6,306	
0		(Decrease)/Increase in provision for bad debts		1	
4,323		Depreciation of Fixed Assets		78,983	
276		Revenue Expenditure funded from Capital under Statute	H	325	
21		Debt management expenses		20	
	20,054				96,019
	(1,419)	Net Cost of HRA Services, per Council I & E Account			74,802
	173	HRA Services Share of Corporate and Democratic Core			173
	(1,246)	Net Cost of HRA Services			74,975
	410	(Gain) or loss on sale of HRA fixed assets			471
	441	Interest payable and similar charges			452
	(35)	Interest and Investment income			(32)
	485	Pensions interest cost and expected return on Pensions assets			463
	55	(Surplus)/Deficit for the Year on HRA Services			**76,329**

Statement of Movement on the HRA Balance

2009/10 £'000	2009/10 £'000		2010/11 £'000	2010/11 £'000
	2,757	**Balance on the HRA at the end of the year**		**2,647**
(55)		Surplus or (deficit) for the year on the HRA Income and Expenditure Account	(76,329)	
457		Adjustments between accounting basis and funding under statute (see analysis below)	74,320	
402		Net Increase or (decrease) before transfers to or from reserves	(2,009)	
(512)		Transfers (to) or from reserves	956	
	(110)	Increase or (decrease) in the year on the HRA		(1,053)
	2,647	**Balance on the HRA at the end of the current year**		**1,594**

Adjustments between Accounting Basis and Funding Basis Under Statute

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

2009/10 £'000		**2010/11 £'000**
(39)	Difference between amounts charged to HRA Income and Expenditure for premiums and discounts and the charge for the year determined in accordance with statute	(39)
23	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statute requirements	16
410	Reversal of Gain or (loss) on sale of HRA non-current assets	471
454	HRA share of contributions to or from the Pensions Reserve	548
(1,286)	Capital Expenditure funded by the Housing Revenue Account	(2,205)
895	Sums directed by the Secretary of State to be debited or credited to the HRA that are not income or expenditure in accordance with the Code	75,529
457		**74,320**

Collection Fund

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

2009/10			2010/11	
£'000	£'000		£'000	£'000
		Income		
49,318		Council Tax	50,895	
		Transfers from General Fund		
6,441		Council Tax Benefits	6,770	
		Contributions towards previous years' Collection Fund Deficit		
575		Somerset County Council	914	
89		Avon & Somerset Police Authority	143	
38		Devon & Somerset Fire & Rescue Authority	61	
82		Taunton Deane Borough Council	130	
32,755		Income Collectable from Business Ratepayers	33,897	
	89,298			**92,810**
		Expenditure		
		Precepts		
41,503		Somerset County Council	41,487	
6,515		Avon & Somerset Police Authority	6,786	
2,795		Devon & Somerset Fire & Rescue Authority	2,899	
5,762		Taunton Deane Borough Council	5,929	
		Business Rates		
32,596		Payment to National Pool	33,736	
159		Costs of Collection	161	
		Council Tax		
428		Provision for bad and doubtful debts/appeals	119	
(418)		Less write offs during the year	0	
	89,340			**91,117**
	(42)	Surplus/ (Deficit) for the year		**1,693**
	(1,323)	Surplus/ (Deficit) Balance Brought Forward		**(1,365)**
	(1,365)	Surplus/ (Deficit) Balance Carried Forward		**328**
		Attributable to:		
	(1,001)	Somerset County Council		229
	(155)	Avon & Somerset Police Authority		47
	(67)	Devon & Somerset Fire & Rescue Authority		19
	(142)	Taunton Deane Borough Council		33
	(1,365)			**328**

Notes to the Supplementary Statements

Housing Revenue Account

A Housing Stock

The Council was responsible for managing around 6,000 dwellings during 2010/11. The stock at 31 March was made up as follows:

	31 March 2010	31 March 2011
Houses	3,045	3,037
Flats	2,068	2,029
Bungalows	864	864
Other	98	99
	6,075	**6,029**

The change in stock was made up of 11 disposals and 36 demolitions in the year plus an addition where one property was split into two.

B Value of Assets

The balance sheet value of HRA assets at 1 April 2010 and 31 March 2011 is shown below.

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

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000	Total Property Plant and Equipment £'000	Assets Held for Sale £'000	Intangible Assets £'000	**TOTAL Assets £'000**
Cost or Valuation								
At 1 April 2009	279,491	13,808	57	1,987	**295,343**	245	643	**296,231**
Additions	4,695	146	0	0	**4,841**	0	1	**4,842**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	17,070	4,688	0	0	**21,758**	0	0	**21,758**
Derecognition – Disposals	(727)	0	0	0	**(727)**	(245)	0	**(972)**
Assets reclassified (to)/from Held for Sale	(187)	0	0	0	**(187)**	187	0	**0**
At 31 March 2010	**300,342**	**18,641**	**57**	**1,987**	**321,027**	**187**	**644**	**321,858**
Accumulated Depreciation and Impairments								
At 1 April 2009	0	256	57	51	**364**	0	100	**465**
Depreciation Charge	3,704	300	0	51	**4,056**	0	64	**4,120**
Depreciation written out to the Revaluation Reserve	(3,704)	(459)	0	0	**(4,163)**	0	0	**(4,163)**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	87	116	0	0	**203**	0	0	**203**
At 31 March 2010	**87**	**213**	**57**	**102**	**460**	**0**	**165**	**625**
Net Book Value as at 31 March 2010	**300,255**	**18,428**	**0**	**1,885**	**320,567**	**187**	**479**	**321,233**

C Value of Dwellings at 31 March 2011

The open market value of dwellings within the HRA at 31 March 2011 is £662,667,639 compared with the balance sheet value of £205,426,968. The difference of £457,240,671 represents the economic cost to the Government of providing Council housing at less than open market rents.

D Rent Arrears

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

	31 March 2010 £'000	**31 March 2011 £'000**
Rent arrears	383	489
Provision for bad debts	(288)	(240)
Anticipated collectable arrears	95	249
Arrears as % of gross rent income	1.9%	2.5%

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 1.1% (0.75% in 2009/10) of available properties were vacant. Average weekly rents were £63.20 an increase of £1.70 (2.76%) 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.

	2009/10 £'000	2010/11 £'000
Balance at 1 April	**0**	**0**
Transfer from Capital Adjustment Account	4,120	4,315
Transfer to Housing Revenue Account to fund non dwelling depreciation	(416)	(530)
Financing of HRA Capital Expenditure	(3,704)	(3,785)
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:

	2009/10 £'000	2010/11 £'000
Disabled Facilities Grants	276	325
Total	**276**	**325**

I Entitlement to Housing Subsidy

The amount of Housing Subsidy payable for 2010/11 has been calculated as follows:

	2009/10 £'000	2010/11 £'000
Management	2,171	2,889
Maintenance	5,813	5,987
Major repairs	3,704	3,785
Charges for capital	1,208	1,039
	12,896	13,700
Rent	(19,317)	(19,807)
	(6,421)	(6,107)
Adjustment for 2009/10	(53)	(199)
Negative Subsidy Payable to the Government	(6,474)	(6,306)

J Total Capital Expenditure and Receipts

	2009/10 £'000	2010/11 £'000
HRA Capital Expenditure		
Dwellings	4,695	5,640
Other land and buildings	170	664
Infrastructure	0	0
Intangible assets	1	24
Revenue expenditure funded from capital under statute	276	325
	5,142	**6,653**
Financed By		
Capital receipts	0	0
Contribution from revenue	1,292	2,204
Major repairs reserve	3,704	3,785
Other grants	146	664
	5,142	**6,653**

Housing Capital Receipts	2009/10 £'000	2010/11 £'000
Dwellings	486	801
Land	25	0
Other assets	43	0
Administrative cost of sales	(25)	(17)
Discount refunded upon sale	34	11
Mortgage repayments – council sales	0	0
	563	**795**

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 £85,000 (2009/10 £44,000) included within management expenditure, which reflects the Current Service Costs of the Pension Scheme, in accordance with IAS19. These costs are currently notional and do not represent real cash outflows. Within the Housing Revenue Account these costs are negated by a contribution from the pension reserve.

Collection Fund

L Council Tax

The Council's tax base for 2010/11, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply), converted to an equivalent number of Band D dwelling, was calculated as follows:

Band	Number of Taxable Dwellings After Discount	Ratio	Band D Equivalent Dwellings
A (Disabled Reduction)	7.50	5/9	4.17
A	5,672.27	6/9	3,781.41
B	13,297.22	7/9	10,342.28
C	8,327.73	8/9	7,402.43
D	6,333.22	9/9	6,333.21
E	4,957.23	11/9	6,058.74
F	3,015.66	13/9	4,355.96
G	1,389.39	15/9	2,315.57

Band	Number of Taxable Dwellings After Discount	Ratio	Band D Equivalent Dwellings
H	58.20	18/9	116.40
	43,058.42		**40,710.17**
Less Adjustment for Collection Rates			(325.68)
Council Tax Base			**40,384.49**

M Income from Business Ratepayers

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

The total non-domestic rateable value at 31 March 2011 was £101,193,288. The standard national non-domestic multiplier for the year was £0.414; the national non-domestic small business multiplier for the year was £0.407.

Group Accounts

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

1. Tone Leisure

During 2004/05 the Council created a Leisure Trust to manage its Leisure facilities. The Council has both financial and service benefits accruing from the Trust's operations. In addition the Trust is dependent on the Council for deficit funding and as such the Council has a degree of control over its activities. The Council has included the Leisure Trust as an Associate within its Group Accounts using the equity method – in other words, in proportion to the level of voting rights that it has on the Leisure Trust Board (16.67%). The Council has a commitment to meet pension fund deficits relating to Tone Leisure upon the termination of the Council's relationship with the Trust. It should be noted that the accounts of Tone Leisure, which have been consolidated into the Council's Group Accounts, are 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

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

2. Trust Funds

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

For all bodies the information used to form the Group Accounts is at 31 March 2011.

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

- Group Comprehensive Income and Expenditure Account
- Group Balance Sheet

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

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

As this is the first year that these Group statements follow the same IFRS standards as do the Single Entity Accounts, the 2009/10 comparatives have been restated in accordance with IFRS transition requirements.

Group Comprehensive Income and Expenditure Statement

2009/10 Gross Expenditure £'000	2009/10 Gross Income £'000	2009/10 Net Expenditure £'000		2010/11 Gross Expenditure £'000	2010/11 Gross Income £'000	2010/11 Net Expenditure £'000
7,951	(7,072)	879	Central services to the public	8,459	(7,344)	1,115
17,791	(6,638)	11,153	Cultural, environmental, regulatory and planning services	18,580	(5,173)	13,407
4,215	(4,993)	(778)	Highways and transport services	4,772	(4,760)	12
20,064	(21,473)	(1,409)	Local Authority housing (HRA)	95,926	(20,950)	74,976
28,523	(26,536)	1,987	Other housing services	31,603	(28,582)	3,021
1,370	(8)	1,362	Corporate & Democratic Core	1,374	(25)	1,349
531	(6)	525	Non distributed costs	147	(9,869)	(9,722)
		(39)	Share of operating results of associates			(61)
80,445	**(66,726)**	**13,680**	**Cost of Services**	**160,861**	**(76,703)**	**84,097**
		-	Exceptional items (Note 5,6)			(577)
		1,259	Other operating expenditure (Note 9)			1,502
		1,719	Financing and investment income and expenditure (Note 10)			3,728
		(21,313)	Taxation and non-specific grant income (Note 11)			(18,425)
		(4,656)	**(Surplus) or Deficit on Provision of Services**			**70,325**
		(29,798)	Surplus or deficit on revaluation of Property, Plant and Equipment assets			17,184
		-	Surplus or deficit on revaluation of available for sale financial assets			-
		25,412	Actuarial gains/losses on pension assets/liabilities			(9,672)
		(4,386)	**Other Comprehensive Income and Expenditure**			**7,512**
		(9,042)	**Total Comprehensive Income and Expenditure**			**77,837**

Reconciliation of TDBC Surplus to Group Surplus

	2009/10 £'000	2010/11 £'000
(Surplus) or deficit for the year on the provision of services	(4,626)	70,386
(Surplus) or deficit for the year arising from Associate company	(30)	(61)
Group Account (surplus) or deficit for the year on services	**(4,656)**	**70,325**

Group Balance Sheet

1 April 2009	31 March 2010			Note	31 March 2011	
£'000	£'000	£'000			£'000	£'000
279,491		300,255	Council Dwellings			205,340
67,874		76,561	Other Land and Buildings			77,715
1,125		3,035	Vehicles, Plant and Equipment			3,300
10,419		10,514	Infrastructure Assets			10,841
3,590		4,284	Community Assets			4,312
1,894		1,339	Assets under construction			1,558
2,874		3,329	Investment Property			3,029
1,183		923	Intangible Assets			674
3		3	Long Term Investments			3
(76)		(245)	Share in net assets of associates			(30)
157		176	Long Term Debtors			104
368,534		**400,174**	**Long Term Assets**			**306,846**
3,000	5,000		Short term Investments		2,000	
245	186		Assets Held for Sale		1,231	
193	169		Inventories		133	
6,378	11,177		Short Term Debtors		7,677	
3,168	4,431		Cash & Cash Equivalents		11,285	
12,984		**20,963**	**Current Assets**			**22,326**
	0		Cash & Cash Equivalents			
(6,203)	(6,985)		Short Term Borrowing		(6,009)	
(7,285)	(8,919)		Short Term Creditors		(10,920)	
(13,488)		**(15,904)**	**Current Liabilities**			**(16,929)**
		405,233				**312,243**
0	0		Long Term Creditors		0	
0	0		Provisions		0	
(9,000)	(9,404)		Long Term Borrowing		(9,964)	
(33,497)	(61,454)		Other Long Term Liabilities		(45,417)	
0	0		Capital Grants Receipt in Advance		0	
(42,497)		**(70,858)**	**Long Term Liabilities**			**(55,381)**
325,533		**334,375**	**Net Assets**			**256,862**
14,240		18,916	Usable Reserves			17,321
311,293		315,459	Unusable Reserves			239,541
325,533		**334,375**	**Total Reserves**			**256,862**

II. Impact of Group Accounts on the Cash Flow Statement

As the 'group' arrangement does not materially affect the day-to-day operations of either the associate company or the trust funds administered by the Council, the group accounts have no significant impact on the cash flow statement previously presented on page 18.

Glossary of Terms

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

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

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

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

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

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

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

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

Operations not satisfying all these conditions are classified as continuing.

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

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

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

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

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

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.

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

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

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

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

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

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

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

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.

National Non-domestic Rate (NNDR)

A levy on businesses, based on a national rate in the pound set by the government multiplied by the "rateable value" of the premises they occupy. NNDR is collected by billing authorities in line with national criteria, and then redistributed among all local authorities and police authorities on the basis of population. Also known as "business rates", the "uniform business rate" and the "non-domestic rate".

Operating Lease

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

Post Balance Sheet Events

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

Precept

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

Precepting Authorities

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

Property Plant and Equipment

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

Provisions

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

Public Works Loan Board (PWLB)

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

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.

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.

Urgent Issues Task Force (UITF) –
The role of the UITF is to assist the Accounting Standards Board where there are unsatisfactory or conflicting interpretation of accounting standards.

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

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