TAUNTON DEANE BOROUGH COUNCIL

UNAUDITED

STATEMENT OF ACCOUNTS 2018/19

Contents

Narrative Report

STATEMENT BY THE STRATEGIC FINANCE ADVISER AND S151 OFFICER

INTRODUCTION

Local authorities in England are required by the Accounts and Audit Regulations 2015 to publish a narrative report with the Statement of Accounts. The purpose of the Narrative Report is to provide information on the authority, its main objectives and strategies and the principal risks that it faces.

This report highlights some of the most important matters reported in the accounts and provides a management commentary on the financial performance and standing of the Council. The commentary is focussed both on the performance in the past year and on issues affecting the Council going forward particualry with regard to the formation of the new Somerset West and Taunton Council from 1 April 2019.

TAUNTON DEANE BOROUGH COUNCIL – KEY INFORMATION

Taunton Deane is a local government district with borough status based in Somerset. It has an area of 178.87 sq. mi (463.26km2) and a population of 117,400 (mid-2017 estimate). The main town in the district is Taunton and the district area also includes the town of Wellington and surrounding villages.

As a shire district, the Council delivers local services within a two-tier structure of principal local government authorities, with 'upper tier' services provided by Somerset County Council and 'lower tier' services provided by Taunton Deane Borough Council. Taunton Deane Council still maintains responsibility for the management and ownership of its own housing stock (more than 5,000 dwellings) and this is accounted for separately in a 'ring-fenced' Housing Revenue Account. The Council is responsible for a range of services including (but not limited to):

- Housing policy and enabling
- Housing – management of own stock
- Housing options and homelessness
- Planning
- Waste collection and recycling
- Crematorium and bereavement services
- Economic development
- Regulatory services such as environmental health and licensing
- Council tax and business rates administration
- Housing benefits
- Provision of off-street parking
- Electoral registration and elections
- Planning
- Building control
- Leisure and arts

THE GOVERNANCE FRAMEWORK

The governance framework consists of the systems and processes, and culture and values, by which the Council is directed and controlled and through which it accounts to, engages with and leads the community. It enables us to monitor the achievement of our objectives and to consider whether these have led to the delivery of appropriate, cost effective services. This framework is applicable both for the current Council – Taunton Deane Borough Council – and its successor from April 2019 – Somerset West and Taunton Council. As the Council improves the way it provides services, it is important that the governance arrangements are robust and flexible enough to manage this.

In order to review the effectiveness of the governance framework, assurances are provided to, and challenged by, the Audit Committee, Scrutiny Committees, Executive or Council as appropriate.

Further information is included in the Annual Governance Statement.

THE CORPORATE STRATEGY AND PLAN

In February 2016 the Council approved its Corporate Strategy. The Strategy provides a clear direction for the Council to follow, with four key priority areas where the Council will concentrate its efforts and resources from April 2016.

The key elements of the Strategy are:

- Refreshed high-level Corporate Priorities for the Council
- Design principles for our organisation
- Refreshed vision
- Clarity on the role and purpose of the Council

The Corporate Strategy is not intended to capture everything that the Council does nor does it include the detail of our work and projects. That is the role of the Corporate, Operational and Individual Plans which will flow from the Corporate Strategy.

The Corporate Plan 2017-18 was approved by the Council in October 2017 and the Plan for 2018-19 was a continuation of this. It sets out our priorities and success measures we will use to monitor progress, organised into key themes of:

Key Theme 1 – People
Key Theme 2 – Business and Enterprise
Key Theme 3 – Our Place
Key Theme 4 – A Modern and Efficient Council

DECISION MAKING AND RESPONSIBILITIES

The Council consists of 56 elected Members, with an Executive of Lead Members who are supported and held to account by Scrutiny Committees. Our Constitution sets out how the Council operates, how decisions are made and the procedures for ensuring that the Council is efficient, transparent and accountable to local people. It contains the basic rules governing the Council's business, and a section on responsibility for functions, which includes a list of functions which may be exercised by officers. It also contains the rules, protocols and codes of practice under which the Council, its Members and officers operate. The Constitution sets out the functions of key governance officers, including the statutory posts of Chief Executive, 'Monitoring Officer' and 'Section 151 Officer' and explains the role of these officers for ensuring that processes are in place for enabling the Council to meet its statutory obligations and also for providing advice to Members, officers and committees on staff management, financial, legal and ethical governance issues.

MANAGING RISK

The Council's Risk Management Policy is fundamental to the system of internal control. It involves an ongoing process to identify the risks to our policies, aims and objectives and to prioritise them according to likelihood and impact. It also requires the risks to be managed efficiently, effectively and economically. All Members and managers are responsible for ensuring that risk implications are considered in the decisions they take. This is especially important as the Council goes through its Transformation programme.

Senior management meet to identify the principal risks to the Council. These risks are recorded in a Corporate Risk Register. Each Service Area also keeps a separate risk register for its area. These registers also record the controls necessary to manage the risks. The registers are regularly reviewed and challenged by senior management and by the Audit Committee. Specific assurance is sought concerning those risks associated with the key elements of the Governance Framework and that any necessary improvements to controls have been implemented. The Governance Framework cannot eliminate all risk of failure to meet the targets in our policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

FINANCIAL MANAGEMENT

The Council has a long established record of effective financial management and managing within our means. We continue to face the challenge of designing a sustainable budget for the future in the face of further Government plans to cut public spending. The Council has worked in partnership with West Somerset Council since 2013 to share management and staff across the two Councils. Together this partnership has resulted in efficiencies and produced annual savings of £1.8m.

In 2016 the two Councils agreed a High Level Transformation Business Case which puts the customer at its heart, and seeks to drive benefits through implementing new ways of delivering services, providing more services digitally and modernising our business processes. The Councils have also obtained agreement from the Secretary of State to create a new Council from April 2019 that will create a new district and Council area currently covered by the two. The financial implications for the business case were refreshed in December 2018, with the new Council and transformed services producing further savings of £3.5m per year.

Taunton Deane set a balanced budget for 2018/19, and the new Council has in February 2019 set a balanced budget for 2019/20 with a broadly balanced position projected throughout the 5-year Medium Term Financial Plan. The Strategic Finance Advisor and Section 151 Officer is responsible for the proper administration of the Council's financial affairs, as required by the Local Government Act 1972, and the Council's financial management arrangements are compliant with the governance requirements set out in the Chartered Institute of Public Finance and Accountancy's 'Statement on the Role of the Chief Financial Officer in Local Government' (2016).

There are robust arrangements for effective financial control through our accounting procedures, key financial systems and the Financial Regulations. These include established budget planning procedures and regular financial performance reports to Councillors. Our treasury management arrangements, where the Council invests and borrows funds to meet its operating requirements, follow professional practice and are subject to regular review.

The Council's financial statements and arrangements for securing value for money are reviewed each year by our external auditor. The Council has opted in to the Public Sector Auditor Appointments framework, as an efficient approach to procuring external audit services. Grant Thornton LLP is our appointed auditor for 2018/19.

CREATING A NEW COUNCIL

Taunton Deane and West Somerset councils submitted an application to Government in March 2017 requesting agreement to create a new single district Council to replace the two. Following a period of consultation the Secretary of State announced approval of this change in March 2018. This was subsequently followed by the making of the Somerset West and Taunton (Modification of Boundary Change Enactments) Regulations 2018 and the Somerset West and Taunton (Local Government Changes) Order 2018 on 25 May, 2018. The new Somerset West and Taunton Council will formally come into

COUNCIL'S PERFORMANCE

The Council has continued to manage its finances effectively in the climate of reducing grant funding from central Government. We have continued to deliver efficiencies from the One Team of officers across Taunton Deane and West Somerset Councils, and set our 2018/19 budget without making cuts to frontline services. Our joint transformation programme is pivotal in reducing our operating costs whilst improving services to our customers and communities. The Council continues to focus on Growth and Development and we have committed further funds to support this vision.

The Council has made good progress over recent years in meeting the challenge of 'balancing the books'. Phase 1 of the Council's partnership with West Somerset District Council has contributed to the delivery of savings through efficiency in the management and staff structures since 2014. Following an earlier mandate from Councillors in January 2016, a business case was developed and the Council agreed in partnership with Taunton Deane to jointly transform the way services are delivered. This has culminated in the creation of a single new council, Somerset West and Taunton to deliver services for both councils from 1 April 2019.

Some of the key highlights of how the Council has performed during 2018/19 are shown below:

Housing

Resident led plans to build up to 230 new homes and replace Woolaway houses in north Taunton were approved during the year. Work could begin a soon as spring 2020. This is alongside the continuation of the Council's new build development programme.

The Council has exceeded the target for delivery of affordable homes in Taunton Deane for another year. It currently has 205 lower cost homes completed against a target of 200 and is on course to deliver another 26 by the end of the 2018/19 financial year bringing the total to 231. The housing enabling and development team works closely with their housing association partners and within their own development program to increase the number of new affordable homes in Taunton Deane. The Partnership has delivered more than 1,000 low cost homes over the last five years.

Car Parks

A £1.2million scheme of improvements to car parks and signage in Taunton went live in February 2019. The Council has implemented the new pay on exit system at the Orchard, Tangier, Canon Street, Wood Street, Castle Street and Enfield car parks and this will link into Variable Message Signing (VMS) in place at key locations in Priorswood Road, Cross Keys, Toneway, East Reach, Silk Mills and Wellington Road.

Park and Open Spaces

Five of Taunton Deane's parks and open spaces have been recognised by the Green Flag Award Scheme as some of the very best in the world. They are among a record-breaking 1,883 UK parks and green spaces that will today receive prestigious Green Flag Awards and Green Flag Community Awards – the mark of a quality park or green space. This international award, now into its third decade, is a sign to the public that the space boasts the highest possible environmental standards, is beautifully maintained and has excellent visitor facilities.

Deane House Refurbishment

The Deane House refurbishment was completed (apart from the agreed additional works to the Automatic Opening Vents in the stairwells). Midas completed the works on time, to a high quality and within the agreed budget. Avon and Somerset Police have now been in occupation for three months and are enjoying working from The Deane House. We have already seen benefits to our customers with our teams working together within the Customer Hub.

Partnership Working

The Council is already part of several successful partnerships with other authorities including the Somerset Waste Partnership, South West Private Sector Housing Partnership, Building Control, Shape Mendip Legal Services and more. We have needed to be both responsive and innovative in forming new partnerships and strengthening others, to work more efficiently and be more effective.

We embraced the concept of 'One Team' for our shared management with West Somerset Council, and our shared lead with Avon and Somerset Police for innovative, co-ordinated, multi-agency, frontline working focused on our more disadvantaged areas which is now established across Somerset. Both attracted funding from the Government in recognition of their aims and objectives and the forerunner of the latter, the Halcon One Team has won several awards and received national attention.

We have seen improved outcomes from collaborative working particularly on the front-line where a problem-solving approach translates into more settled, better supported tenants and residents. This has more recently been extended to Taunton Town Centre where problems with rough sleeping and begging were increasing. In order to understand better and share the responsibility, the agencies came together and drew up a detailed plan which has again attracted funding from Government to implement this. The Homelessness Reduction Plan has already reduced our rough sleeping by half and is providing essential support to resettle a few with local connections into permanent housing.

Growth Strategy and Specific projects

Coal Orchard Redevelopment

Over the last few months there has been good progress. The former St James Swimming Pool was demolished just before Christmas and the site levelled. The OJEU tender process for a main contractor has been completed, albeit the timetable became extended due to requests for extensions of time. Midas Construction have been selected as the preferred contractor and a Pre-Construction Services Contract has been entered into in order for the final contract and scheme details and infrastructure to be resolved. Some investigative survey work has been carried out during February, and this was co-ordinated with the digging of the final three archaeological trenches, so that car park closures were kept to a minimum.

Over the next couple of months the contractors will be working on phasing and construction details leading to building works commencing in late spring 2019. The build programme is still being finalised but will be approximately 18 months. We are working with our commercial agents, JLL, to ensure that the space and design of the units are attractive to leaseholders in the current market. We will be launching a marketing programme in early summer for both commercial and residential.

Firepool

A key milestone has been reached with the Section 106 Agreement being finalised with Somerset County Council Highways signing off in March 2019. Consequently site master plan delivery planning is now progressing along with preparation for some early site enabling works. Site set up and infrastructure works will commence shortly. Initial work involves site clean-up, replacement of fencing to secure the site and construction of access from the Northern Inner Distributor Road. In addition, some minor demolitions will be undertaken including breaking up the concrete slabs. Proposals are being prepared which will be brought to the new Council in due course relating to a masterplan business case and delivery action plan.

Environmental

Somerset Waste Partnership (SWP) has had another successful year, with a recycling rate of around 53% in Quarter 3 of 2018/2019 and continuing to recycle over 95% in the UK (over half staying in Somerset). SWP have increased the scope of their recycling centre contract with Viridor, enabling residents to use every recycling centre to recycle cartons/tetrapaks and plastic pots, tubs and trays. SWP remain on track to move away from landfill by 2020, with the construction of an Energy from Waste plant at Avonmouth.

SWP's key programme of work has been to procure a new collection contractor who will roll out the Recycle More service. The Somerset Waste Board has announced SUEZ recycling and recovery UK as the preferred bidder for its new collections contract. SWP, which is responsible for waste and recycling services on behalf of four district councils and the wider county council in Somerset, has been gearing up for the service change since 2017, when it agreed to end its previous contract with Keir 18 months early.

The Keir contract will come to an end on 27 March 2020, and the new contract will focus on implementing SWP’s ‘Recycle More’ strategy, which will see residual waste collections reduced to three-weekly while extra materials (like plastic pots, tubs and trays) will be collected at the kerbside, along with pre-existing weekly dry recycling and food waste collections. It is hoped that this strategy will result in annual savings of around £1.7 million before rollout costs. Coinciding with the start of the new contract, an energy-from-waste (EfW) plant is set to open in nearby Avonmouth in 2020, with capacity to process all waste currently landfilled in Somerset.

Leisure

After a detailed procurement exercise the council has awarded its leisure contract to Sport and Leisure Management Ltd (SLM). The new contract will commence from 1 August 2019 and is expected to generate savings of almost £7m over the 8 months and 10 years term of the contract.

FINANCIAL PERFORMANCE

Economic Environment

It has been well documented that Local Government has seen major cuts over several years now and 2018/19 saw us with a challenging budget to close and the prospect of further cuts to come with some of our grants changed or extinguished completely. We now know that Revenue Support Grant (RSG) will disappear by 2019/20. Overall this will mean our Settlement Funding baseline (including RSG, Rural Services grant and Business Rates Baseline) will have reduced from £5.8m in 2013/14 to £2.7m by 2019/20 – a reduction of 53%.

Housing growth within the Borough has had a positive impact on our funding, with our New Homes Bonus (NHB) Grant reaching £3.6m. We have prioritised this and future NHB funding to underpin our planned £16m investment in growth, infrastructure and regeneration. We have therefore performed well in obtaining grant through this growth-incentive based funding stream.

The overall funding position and trend does not come as a surprise to us and we have acted prudently to try to protect ourselves from having to make cuts that will impact adversely on the public. We know in some cases this has been unavoidable, but we have taken steps to look at the long-term position and set aside funds for Growth and Economic Development. This financial planning has included looking at our risk profile and maintaining adequate reserves to mitigate against in particular the effect of business rates appeals to set aside funds in reserves to ensure the Council can deliver projects which we have laid before Committee and which we believe will add to the experience of living in Taunton Deane, such as the development at Firepool. We have also built in some resilience with regards to delivery of the transformation programme and to other adhoc pressures and new service demands.

Financial Management

The financial standing of the Council is robust with sound and improving financial management practices. The outturn for the Council results in a transfer to general reserves of £240k.

FINANCIAL OVERVIEW

General Fund Revenue Budget and Reserves

For 2018/19, the Council initially had to address a budget gap in the region of £0.4m. This resulted primarily from the reduction in Revenue Support Grant; inflation rate increases and other cost pressures. The Council was able to set a balanced budget whilst at the same time be able to put extra funding in its Business Smoothing Reserve to protect it from any future volatility arising from changes to business rates.

As part of the Final Settlement details, Central Government again gave all district councils the power to raise Council Tax by £5 for a Band D property without the need for a referendum. Taunton Deane took this option which raised £85k towards the budget gap compared to previous estimates based on a 1.99% increase.

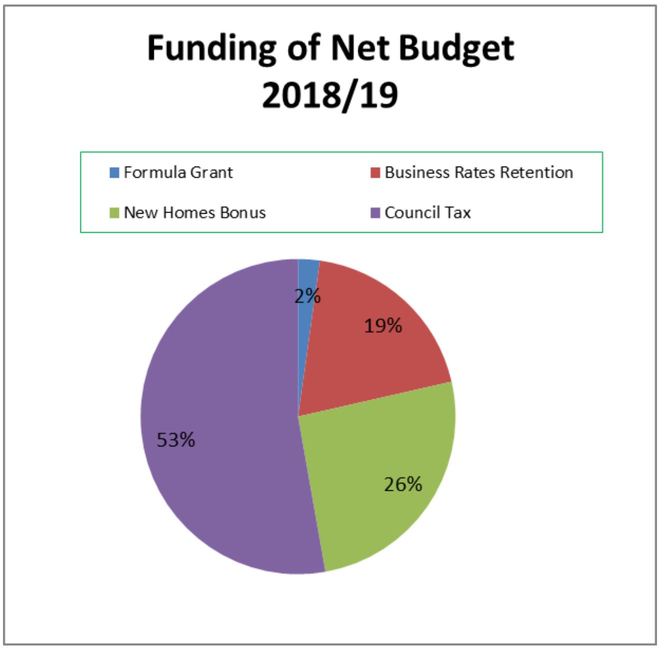
The Final Grant Settlement was issued in February 2018 and included details regarding general revenue grant funding, New Homes Bonus, and business rates retention baseline and tariff. Overall the general grant funding available to deliver services has again reduced significantly in 2018/19:

a) General funding, Revenue Support Grant has reduced by £365,013 (57%) whilst Rural Services Delivery Grant has increased by £5,483 (25%).

b) New Home Bonus funding has decreased by £470,170 (12%)

The Council's Net Budget for 2018/19 was £13.826m, representing the net cost of General Fund services funded by grants, business rates and council tax as shown in the following table and graph.

	£k
Formula Grant (RSG and RSDG)	308
Retained business rates	3,593
Business rates Collection Fund deficit	(937)
New Homes Bonus	3,564
Council Tax Collection Fund surplus	64
Council Tax income	7,234
Net Budget	13,826



In setting the budget for 2018/19 the Council increased Council Tax by 3.38% (£5 on an equivalent Band D property). This meant that the Band D Council Tax rate became £152.88.

The Council's actual net expenditure in 2018/19 was £13.272m which results in a reported net underspend of £240k (1.7% of Net Budget). The net underspend arose due to variances in several budget areas. The most significant underspends have been reported against Benefits, recycling, Interest income, Bereavement, and Grounds Maintenance. These together with other smaller underspends have enabled the Council to offset budget overspends/shortfalls in arriving at the net position. The following table provides a summary of the financial results for the year compared to budget.

General Fund Outturn 2018/19	Budget £k	Actual £k	Variance £k	%
Net Cost of Services	**17,623**	**17,555**	**(68)**	**(0.5%)**
Other Operating Costs and Income				
Deane Helpline Trading Account	135	164	29	0.2%
Interest & Investment Income	(444)	(908)	(464)	(3.4%)
Transfers from Capital Adjustment Account	(1,500)	(1,500)	0	
Transfers from General Reserves	(335)	(335)	0	
Transfers from Earmarked Reserves	(1,704)	(1,704)	0	
Total Other Operating Costs and Income	**(3,848)**	**(4,283)**	**(435)**	**(3.2%)**
NET EXPENDITURE BEFORE GRANTS & TAXATION	**13,775**	**13,272**	**(503)**	**(3.7%)**
TOTAL FUNDING	**(13,775)**	**(13,512)**	**263**	**2.0%**
TOTAL (UNDER)/OVERSPEND FOR THE YEAR	**0**	**(240)**	**(240)**	**(1.7%)**

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

The General Fund Reserves have reduced from £2.299m at the start of the year to £2.223m at 31 March 2019, this is £523k above the recommended minimum balance of £1.700m and provides some mitigation for emerging risks.

The Council also carries Earmarked Reserve balances, which represent funds that have been set aside to support specific spending in future years. The General Fund Earmarked Reserves balance at 31

March 2019 stands at £14.194m. This balance covers a wide variety of known planned spending commitments, including: Business Rates funding deficit; New Homes Bonus Growth Reserve; Creating a New Council; and Garden Village together with several other smaller commitments which we have prudently put aside.

CAPITAL SPENDING AND RESERVES

In addition to our spending on day-to-day service provision, the Council spends money on assets such as buildings, major improvements to parks, and contributions to jointly-financed schemes. Capital expenditure in the year totalled £26.777m (£14.995m in 2017/18). Capital spending comprises £15.398m on General Fund schemes and £11.379m on HRA capital works, as summarised in the table below. The General Fund capital spending related to a wide range of projects which included costs for the new Deane House Accommodation, ICT equipment, disabled facilities grants, area regeneration schemes, and many other smaller projects. HRA capital works are largely related to maintaining housing standards, including replacing kitchens, bathrooms, windows, doors, heating systems and other related works.

General Fund Capital Schemes	**£k**	**HRA Capital Schemes**	**£k**
Deane House Accommodation	4,580	Heating Systems	1,999
Regeneration Schemes	5,463	Kitchens and Bathrooms	1,660
Housing Enabling and Housing Standards	696	Doors and Windows	286
Play Equipment and Sports Facilities	1,034	Accessibility Aids and Adaptations	305
DLO Vehicles, Plant and Equipment	251	Door Entry Systems	373
Transformation	1,428	Asbestos Works	441
ICT Equipment	91	Development of Additional Dwellings	1,764
Waste Containers	96	Fascias, Soffits and Fire Safety	987
Community Grants	217	Insulation	888
Crematorium	191	Buybacks	2,096
YMCA Loan	750	Other schemes	579
Community Assets	576		
Other schemes	25		
Total	**15,398**	**Total**	**11,379**

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

Sources of Capital Funding	**£k**
Revenue Funding	7,180
Capital Grants and Contributions	2,471
Capital Receipts	2,899
Borrowing	6,875
Major Repairs Reserve (HRA)	7,352
Total	**26,777**

The General Fund Capital Programme has committed approved capital spending in future years of £40.276m. The HRA Capital Programme has committed approved capital spending into future years of £13.507m.

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

Capital reserves reflect funds set aside to fund investment in capital items in future years, and largely comprise grants, contributions and capital receipts that are committed on projects to be completed in the current approved capital programme. The Council currently holds £27.467m of capital reserves, providing funding for the approved capital spending referred to above. The Council has also approved borrowing of £28.316m to fund approved schemes.

Balance Sheet

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

	31 March 2018	31 March 2019
	£k	£k
Non-current assets	404,957	425,150
Net current assets – debtors, stock and cash less short term creditors and liabilities	21,112	1,894
Long term liabilities and provisions	(176,278)	(168,589)
Net assets	**249,791**	**258,455**
Represented by: Usable reserves	53,369	42,262
Represented by: Unusable reserves	196,422	216,193
Total Reserves	**249,791**	**258,455**

Housing Revenue Account (HRA) Budget and Reserves

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

The Net Budget for the HRA is £Nil, reflecting the self-financing nature of the account. However, financial performance is measured against the Gross Income budget, which is £26,644k for the year. The HRA has reported a net surplus of £296k for 2018/19, which is 1.1% of gross income. The surplus increases the HRA General Reserve, and relates mainly to one-off items including staffing for Housing Management and a reduction in the impairment allowance for debtors.

HRA Outturn 2018/19	Budget £k	Outturn £k	Variance £k	Variance %
Gross Income	(26,644)	(26,641)	3	
Service Expenditure	14,302	14,079	(223)	(0.8%)
Other Operating Costs and Income	7,898	7,764	(134)	(0.5%)
Earmarked Reserve Transfers	13	0	(13)	
Capital Financing and Debt Repayment	4,431	4,502	71	0.2%
Net Variance	**0**	**(296)**	**(296)**	**(1.1%)**

The Housing Revenue Account Reserve has decreased from £2.778m at the start of the year to £2.718m at 31 March 2019. The yearend balance is still well above the minimum level set within the Council's financial strategy of £1.8m, providing some resilience for financial and service risks and opportunities.

The HRA Earmarked Reserve balance at 31 March 2019 is £2.718m, a decrease of £4.272m in the year. The reserves are committed in a number of areas including: Social Housing Development Fund £1.339m to support new build and acquisition of additional homes, and a range of other smaller reserves.

Treasury Management

Total cash and cash equivalents plus short term investments at 31 March 2019 were £25.356m. The main factors that would affect cash in the future are:

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

	31 March 2018	31 March 2019
	£k	£k
Cash and other cash equivalents	17,818	20,343
Short term investments	16,194	5,013
Total	**34,012**	**25,356**

Pensions

The Council's share of the overall Pension Fund deficit decreased from £93.7m at 31 March 2018 to £89.5m at 31 March 2019. The deficit has decreased by 4%, which is largely due to a change in the financial valuation assumptions by the actuaries.

Following the actuarial valuation in 2016 we have changed the way in which we contribute to the Pension Fund as an employer. We are now required to contribute a percentage plus a lump sum each year. In 2018/19 this lump sum was £1.944m.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

The key areas of corporate risk at March 2019, centred on:

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

FUTURE DEVELOPMENTS AND OUTLOOK

During 2018/19, the Council continued to work towards the creation of the new council Somerset West and Taunton from 1 April 2019. A balanced budget for the new council was approved in February 2019 and this indicated a sustainable financial position – no significant budge gap identified within the medium term financial plan. Nevertheless, 2019/20 is a critical period for the new Council with a significant change in staffing levels, business processes and ways of delivering services to its customers. This carries a degree of financial risk especially with the dependence on delivery of full transformation savings.

The Government continue to develop their policy on local government finance. In the 2019/20 local government finance settlement, the Secretary of State again indicated the plans for local government (as a whole) to retain 75% of business rates by 2020, and the move to 100% retention of business rates continues to be explored. There is therefore significant uncertainty regarding the funding position for 2020/21 onwards, with the funding system due to be updated following the Spending Review, Fair Funding Review and Business Rates Retention reform – all due to be implemented from April 2020.

EXPLANATION OF ACCOUNTING STATEMENTS

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

- The **Comprehensive Income and Expenditure Statement** (page 18) brings together details of the Council's day-to-day revenue spending and income on its services, and other gains and losses in the year.
- The **Movement in Reserves Statement** (page 19) shows the changes in the Council's financial resources over the year, by showing the movement on the different reserves held, analysed into 'usable reserves' (that can be used to fund spending) or other reserves
- The **Balance Sheet** (page 20) 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 21) summarises the flows of cash into and out of the Council during the year.
- The **Notes to the Financial Statements** (pages 22 to 81) provide supplementary information on some of the figures contained within the primary statements. They also include accounting policies, which guide the treatment of income and expenditure, and disclosures relating to the assets and liabilities of the Council.

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

FURTHER INFORMATION

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

P Fitzgerald ACMA CGMA, Section 151 Officer, The Deane House, Belvedere Road, Taunton, TA1 1HE
Telephoning: (01823) 217557
E-mail to: p.fitzgerald@somersetwestandtaunton.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 Finance Advisor and s151 Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Strategic Finance Advisor is required to:

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

In preparing this Statement of Accounts, the Strategic Finance Advisor 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 Finance Advisor 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 2019 and its income and expenditure for the year ended 31 March 2019.

P Fitzgerald ACMA, CGMA
Strategic Finance Advisor
Section 151 Officer

Approval of the Accounts

This draft Statement of Accounts is unaudited and as published may be subject to change. The audited Statement of Accounts will be presented to be approved by resolution of the Audit, Governance and Standards Committee in July 2019, under powers allocated by the constitutional arrangements of the Council, and signed by the Chair of the Committee.

Chair of Audit, Governance and Standards Committee

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

The Auditor’s opinion will appear here when issued.

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

The Auditor's opinion will appear here when issued.

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

The Auditor's opinion will appear here when issued.

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

The Auditor's opinion will appear here when issued.

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.

2017/18 Gross Expenditure £000	2017/18 Gross Income £000	2017/18 Net Expenditure £000		Notes	2018/19 Gross Expenditure £000	2018/19 Gross Income £000	2018/19 Net Expenditure £000
2,535	(719)	1,816	Corporate Management		6,152	(411)	5,741
5,695	(2,995)	2,700	Growth & Development		5,914	(3,298)	2,616
6,749	(1,159)	5,590	Housing & Communities (General Fund only)		12,170	(1,181)	10,989
42,824	(37,145)	5,679	Operations		42,194	(35,098)	7,096
1,183	(245)	938	Transformation		3,830	(1,087)	2,743
22,784	(26,898)	(4,114)	Housing Revenue Account		29,048	(26,773)	2,275
81,770	**(69,161)**	**12,609**	**Cost of Services**		**99,308**	**(67,848)**	**31,460**
		(50)	Other Operating Expenditure	**10**			(50)
		4,555	Financing and Investment Income and Expenditure	**11**			3,453
		(17,001)	Taxation and Non-Specific Grant Income	**12**			(19,322)
		113	**(Surplus) or Deficit on Provision of Services**				**15,541**
		(25,493)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets				(15,488)
		95	(Surplus) or deficit on revaluation of available for sale financial assets				0
		(10,138)	Remeasurement of the net defined benefit liability				(8,742)
		(35,536)	**Other Comprehensive Income and Expenditure**				**(24,230)**
		(35,423)	**Total Comprehensive Income and Expenditure**				**(8,689)**

Movement in Reserves Statement

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

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
2018/19								
Balance at 31 March 2018	**(23,912)**	**(9,769)**	**(13,110)**	**(3,273)**	**(3,305)**	**(53,369)**	**(196,422)**	**(249,791)**
Remeasurement of Financial Instruments following adoption of IFRS 9 (note 16)	(19)	0	0	0	0	**(19)**	43	**24**
Remeasured Balance at 31 March 2018	**(23,931)**	**(9,769)**	**(13,110)**	**(3,273)**	**(3,305)**	**(53,388)**	**(196,379)**	**(249,767)**
Movement in Reserves during 2018/19								
Total Comprehensive Income and Expenditure	11,039	4,502	0	0	0	**15,541**	(24,230)	**(8,689)**
Adjustments between accounting basis and funding basis under regulations (note 8)	(3,524)	(171)	(173)	561	(1,109)	**(4,416)**	4,416	**0**
Increase/(Decrease) in 2018/19	**7,515**	**4,331**	**(173)**	**561**	**(1,109)**	**11,125**	**(19,814)**	**(8,689)**
Balance at 31 March 2019	**(16,416)**	**(5,438)**	**(13,283)**	**(2,712)**	**(4,414)**	**(42,263)**	**(216,193)**	**(258,456)**
2017/18								
Balance at 31 March 2017	**(19,530)**	**(10,071)**	**(9,339)**	**(4,591)**	**(2,867)**	**(46,398)**	**(167,970)**	**(214,368)**
Movement in Reserves during 2017/18								
Total Comprehensive Income and Expenditure	2,028	(1,915)	0	0	0	**113**	(35,536)	**(35,423)**
Adjustments between accounting basis and funding basis under regulations (note 8)	(6,410)	2,217	(3,771)	1,318	(438)	**(7,084)**	7,084	**0**
Increase/(Decrease) in 2017/18	**(4,382)**	**302**	**(3,771)**	**1,318**	**(438)**	**(6,971)**	**(28,452)**	**(35,423)**
Balance at 31 March 2018	**(23,912)**	**(9,769)**	**(13,110)**	**(3,273)**	**(3,305)**	**(53,369)**	**(196,422)**	**(249,791)**

Balance Sheet

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

31 March 2018 £000		Notes	31 March 2019 £000
267,175	Council Dwellings		286,386
100,525	Other Land and Buildings		81,807
5,157	Vehicles, Plant and Equipment		7,320
10,445	Infrastructure Assets		10,214
7,107	Community Assets		7,720
0	Surplus Assets		58
5,438	Assets Under Construction		7,715
395,847	**Total Property, Plant and Equipment**	**14**	**401,220**
141	Heritage Assets		141
4,174	Investment Property	**15**	18,683
641	Intangible Assets		685
2,228	Long-term Investments	**16**	2,161
1,926	Long-term Debtors	**17**	2,260
404,957	**Long Term Assets**		**425,150**
16,194	Short Term Investments	**16**	5,013
2,258	Assets Held for Sale	**19**	635
139	Inventories		156
8,132	Short Term Debtors	**17**	10,325
17,818	Cash and Cash Equivalents	**18**	20,343
44,541	**Current Assets**		**36,472**
(3,000)	Short Term Borrowing	**16**	(13,501)
(18,881)	Short Term Creditors	**20**	(19,140)
(1,548)	Provisions	**21**	(1,937)
(23,429)	**Current Liabilities**		**(34,578)**
(82,605)	Long Term Borrowing	**16**	(79,105)
(93,673)	Other Long Term Liabilities	**36**	(89,484)
(176,278)	**Long Term Liabilities**		**(168,589)**
249,791	**Net Assets**		**258,455**
53,369	Usable Reserves	**22**	42,262
196,422	Unusable reserves	**23**	216,193
249,791	**Total Reserves**		**258,455**

Cash Flow Statement

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

2017/18 £000		Notes	2018/19 £000
(113)	**Net surplus or (deficit) on the provision of services**		**(15,541)**
17,635	Adjustments to net surplus or deficit on the provision of services for non cash movements	**24**	23,569
(4,656)	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities	**24**	(3,351)
12,866	**Net cash flows from Operating Activities**		**4,677**
(11,237)	Investing Activities	**25**	(9,152)
(4,000)	Financing Activities	**26**	7,000
(2,371)	**Net increase or decrease in cash and cash equivalents**		**2,525**
20,189	Cash and cash equivalents at the beginning of the reporting period	**18**	17,818
17,818	**Cash and cash equivalents at the end of the reporting period**	**18**	**20,343**

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 2018/19 financial year and its position at the year-end on 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards (IFRS).

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

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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract. With effect from 1st April 2018, IFRS15 *Revenue from Contracts with Customers* has been adopted, which resulted in no material impact to the Council's recognition of revenues.

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

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

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

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

iii. Cash and Cash Equivalents

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

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

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

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

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

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

v. Charges to Revenue for Non-Current Assets

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

- Depreciation attributable to the assets used by the relevant service

- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off

- Amortisation of intangible assets attributable to the service.

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

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

vi. Council Tax and Non-Domestic Rates

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

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority’s share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority’s General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

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

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

vii. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

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

Post-Employment Benefits

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

The Local Government Pension Scheme

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

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

- Liabilities are discounted to their value at current prices, using a discount rate of 2.55% (based on the annualised yield at the 19 year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of IAS19 and with the consideration of the duration of the Employer's liabilities).

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

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

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

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

- net interest on the net defined benefit liability – i.e. net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurements comprising:

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

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

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

Discretionary Benefits

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

viii. Events After The Reporting Period

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

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

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

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

ix. Financial Instruments

Financial Liabilities

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

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

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 based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI).

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are, therefore, classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

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

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

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

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

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

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

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.

x. Government Grants and Contributions

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

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

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

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

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

Community Infrastructure Levy

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

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

xi. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

xii. Leases

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

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

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

The Council as Lessee

Operating Leases

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

The Council as Lessor

Operating Leases

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

xiii. Overheads and Support Services

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

xiv. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings – current value, determined using the existing use value for social housing (EUV-SH)
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

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

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

Impairment

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, 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 a disposal in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals is payable to the government. The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

xv. Provisions and Contingent Liabilities

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.

xvi. Reserves

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

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

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

xvii. Revenue Expenditure Funded from Capital under Statute

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

xviii. VAT

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

xix. Fair Value Measurement

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

a) in the principal market for the asset or liability, or

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

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

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

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

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

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

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

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

The Authority has yet to adopt several accounting standards which will be introduced in the 2019/20 Code. At the time of writing, the impact on our accounts is not fully known although based on our current arrangements it is likely to be immaterial.

3. Critical Judgements in Applying Accounting Policies

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

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

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

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

- A Business Rates provision has been made in the accounts for £1.338m. The Council has put in its best estimate of the expenditure required to settle the present obligation based on the appeals put in by ratepayers.

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 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Significant Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment (PPE)	PPE assets are depreciated over useful lives that are chosen based on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. If the working lives change significantly as a result of the Council's review of its services then those useful lives may lengthen or shorten.	Depreciation is calculated to spread the cost of an asset over its estimated working life. If the working life is reduced, depreciation goes up and carrying-value goes down; if the working life is extended, depreciation goes down and so carrying value goes up. For example, with vehicles costing approximately £1.6 million and an average working life of around five years, extending the life by 1 year would reduce annual depreciation by £54k.
	The carrying values of assets such as council houses depend very much on outside factors; for example, the significant revaluation in 2016/17 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. The discount factor for the south-west in 2015/16 was 31%; in 2018/19 it is 35%.	With council housing having a balance-sheet value of around £286m, each 1% change in the social housing discount factor moves the valuation up or down by £2.9m 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 were to change by plus or minus 0.1% from its assumed 2.40%, then the projected service cost would be between £5.398m to £5.680m. A similar change of 1 year in the mortality age range assumption means the projected service cost could be from £5.366m to £5.714m.

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 pension liability and its underlying data is therefore very much a carefully-reasoned estimate of the most likely combination of factors, but by its very nature is significantly uncertain.	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.
Business Rates Appeals Provision	Estimates have been made for the provision for refunding ratepayers who have successfully appealed against the rateable value of their properties. This includes the current and previous financial years. The estimate is based on those ratepayers who have appealed.	There is uncertainty and risk surrounding the calculation of the provision as future events may affect the amount required to settle an obligation.
Arrears	At 31 March 2019 the Council had a balance of Council Tax debtors of £6.1m, an increase of £0.5m over the previous year; this level of debtor is to be expected when collecting Council Tax of around £65m each year. The Council has made an impairment provision within the collection fund of £3.5m to cover debts that are not collectible for a variety of reasons; this Council's share of this is 11% of the total. However, in the current economic climate the level of unpaid debts could change significantly at short notice.	The Council is confident that the current levels of provision present a true and fair estimate of likely unpaid debts. However, the figures are large; with council tax income of nearly £70m this year from approximately 43,000 households, a 0.1% change in the collection rate changes the amount collected by around £70k in a full year (the Council's risk would be 11% of this amount). The Council's collection rate for 2018/19 was 99%.

5. Material Items of Income and Expense

The year has seen the implementation of the plan to transform the way the two councils work in preparation for the launch of the new council in April. This Transformation project has given rise to termination costs (comprising redundancies, pension enhancements etc) relating to 191 employees and totalling £5.611 million, of which £4.688 million is charged to Taunton Deane.

During the year, there have been 36 sales of Council dwellings to Council tenants; this has resulted in a gain shown in the Comprehensive Income and Expenditure Statement of £1.059m.

6. Events After the Balance Sheet Date

On 1 April 2019 Taunton Deane Borough Council combined with West Somerset Council to form the new Somerset West and Taunton Council. Under the terms of the Statutory Instrument all property, rights and liabilities held by the two former authorities transferred to the new authority on 1 April 2019. These financial statements have been prepared on a going concern basis.

There have been no other events after the balance sheet date of 31 March 2019 that require the financial statements or notes to be adjusted for 2018/19.

7. Expenditure and Funding Analysis

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

2017/18				2018/19		
Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
1,730	86	1,816	Corporate Management	4,148	1,593	5,741
2,171	529	2,700	Growth & Development	2,174	442	2,616
2,953	2,637	5,590	Housing & Communities (General Fund only)	5,030	5,959	10,989
4,052	1,627	5,679	Operations	4,825	2,271	7,096
884	54	938	Transformation	1,811	932	2,743
(11,330)	7,216	(4,114)	Housing Revenue Account	(9,393)	11,668	2,275
460	**12,149**	**12,609**	**Net Cost of Services**	**8,595**	**22,865**	**31,460**
(4,540)	(7,956)	(12,496)	Other Income and Expenditure	3,251	(19,170)	(15,919)
(4,080)	**4,193**	**113**	**(Surplus) or Deficit**	**11,846**	**3,695**	**15,541**
(29,601)			Opening General Fund and HRA Balance	(33,681)		
0			Remeasurement of Financial Instruments	(19)		
(4,080)			Less/Plus Surplus or (Deficit) on General Fund and HRA Balance in Year	11,846		
(33,681)			**Closing General Fund and HRA Balance at 31 March ***	**(21,854)**		

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

Notes to Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes Note 1 £000	Net Change for Pensions Adjustments Note 2 £000	Other Statutory Differences Note 3 £000	Total Statutory Adjustments £000
2018/19				
Corporate Management	2	1,591	0	1,593
Growth & Development	423	52	(33)	442
Housing & Communities (General Fund only)	5,924	41	(6)	5,959
Operations	2,186	167	(82)	2,271
Transformation	917	15	0	932
Housing Revenue Account	11,512	187	(31)	11,668
Net Cost of Services	**20,964**	**2,053**	**(152)**	**22,865**
Other Income and Expenditure from the Expenditure and Funding Analysis	**(20,584)**	**2,500**	**(1,086)**	**(19,170)**
Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**380**	**4,553**	**(1,238)**	**3,695**
2017/18				
Corporate Management	7	63	0	70
Growth & Development	386	157	33	576
Housing & Communities (General Fund only)	2,533	97	18	2,648
Operations	1,193	459	69	1,721
Transformation	9	44	0	53
Housing Revenue Account	6,706	496	76	7,278
Net Cost of Services	**10,834**	**1,316**	**196**	**12,346**
Other Income and Expenditure from the Expenditure and Funding Analysis	**(11,524)**	**3,014**	**554**	**(7,956)**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(690)**	**4,330**	**750**	**4,390**

Note 1

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

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

- Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

- Taxation and non-specific grant income – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Note 2

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

- **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

- For **Financing and investment income and expenditure –**- the net interest on the defined benefit liability is charged to the CIES.

Note 3

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

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

Segmental Income

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

2017/18 £000		2018/19 £000
(334)	Corporate Management	(364)
(2,270)	Growth & Development	(2,494)
(1,159)	Housing & Communities (General Fund only)	(1,097)
(10,988)	Operations	(11,336)
(245)	Transformation	(1,087)
(26,844)	Housing Revenue Account	(27,905)
(41,840)	**Income analysed on a segmental Basis**	**(44,283)**
(4,607)	Trading Operations	(4,613)
(46,447)	**Total Income**	**(48,896)**

8. Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

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

General Fund Balance

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

Housing Revenue Account Balance

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

Major Repairs Reserve

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

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

2018/19	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements					
Pension costs (transferred to or from the Pensions Reserve)	3,582	971	0	0	0
Council Tax and NNDR (transfers to or from the Collection Fund)	(1,097)	0	0	0	0
Holiday Pay (transferred to or from the Accumulated Absences Account)	(111)	(30)	0	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	6,465	13,179	0	0	1,109
Total Adjustment to Revenue Resources	**8,839**	**14,120**	**0**	**0**	**1,109**
Adjustment between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(548)	(2,950)	3,498	0	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	44	(44)	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	382	0	(382)	0	0
Posting of HRA resources from revenue to the Major Repairs Reserve	0	(6,790)	0	6,790	0
Statutory provision for the repayment of debt (transfer from the capital adjustment account)	(400)	(1,821)	(279)	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(4,749)	(2,432)	0	0	0
Total Adjustments between Revenue and Capital Resources	**(5,315)**	**(13,949)**	**2,793**	**6,790**	**0**
Adjustments to Capital Resources					
Use of the Capital Receipts reserve to finance capital expenditure	0	0	(2,899)	0	0
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	(7,351)	0
Deferred Debtors repaid	0	0	279	0	0
Total Adjustments to Capital Resources	**0**	**0**	**(2,620)**	**(7,351)**	**0**
Total Adjustments 2018/19	**3,524**	**171**	**173**	**(561)**	**1,109**

2017/18	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements					
Pension costs (transferred to or from the Pensions Reserve)	2,927	1,404	0	0	0
Council Tax and NNDR (transfers to or from the Collection Fund)	542	0	0	0	0
Holiday Pay (transferred to or from the Accumulated Absences Account)	(5)	17	0	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	3,534	8,739	0	0	704
Total Adjustment to Revenue Resources	**6,998**	**10,160**	**0**	**0**	**704**
Adjustment between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(528)	(4,011)	4,539	0	0
Administrative costs of non-current asset disposals (funded by a contribution form the Capital Receipts Reserve)	0	69	(69)	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	382	0	(382)	0	0
Posting of HRA resources from revenue to the Major Repairs Reserve	0	(6,509)	0	6,509	0
Statutory provision for the repayment of debt (transfer from the capital adjustment account)	(180)	(1,821)	(488)	0	0
Capital expenditure financed from revenue balances	(262)	(105)	0	0	0
Total Adjustments between Revenue and Capital Resources	**(588)**	**(12,377)**	**3,600**	**6,509**	**0**
Adjustments to Capital Resources					
Use of the Capital Receipts reserve to finance capital expenditure	0	0	(317)	0	0
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	(7,827)	0
Application of capital grants to finance capital expenditure	0	0	0	0	(266)
Deferred Debtors repaid	0	0	488	0	0
Total Adjustments to Capital Resources	**0**	**0**	**171**	**(7,827)**	**(266)**
Total Adjustments 2017/18	**6,410**	**(2,217)**	**3,771**	**(1,318)**	**438**

9. Movements in Earmarked Reserves

The table below shows the amounts set aside from the General Fund and HRA balances in capital or revenue earmarked reserves to provide financing for future expenditure plans. It also shows the movement in each major earmarked reserve where amounts have either been posted to the reserve or back to meet General Fund and HRA expenditure in 2018/19. Reserves indicated with an asterisk (*) are held for capital purposes.

Earmarked Reserves	Balance at 31/3/2017 £000	Transfers Out £000	Transfers In £000	Balance at 31/3/2018 £000	Transfers Out £000	Transfers In £000	Balance at 31/3/2019 £000
General Fund							
Asset Management - General	**289**	(289)	81	**81**	(81)	0	**0**
Asset Management - Leisure	**197**	(8)	0	**189**	(52)	0	**137**
Back Office Project Costs	**499**	(443)	0	**56**	(56)	0	**0**
Brewhouse Refurbishment	**56**	0	38	**94**	0	56	**150**
Business Rates Smoothing Reserve	**1,937**	(134)	875	**2,678**	(1,790)	716	**1,604**
Capital Financing Reserve *	**789**	(308)	195	**676**	(26)	0	**650**
Carry Forwards	**429**	(321)	1,195	**1,303**	(1,303)	928	**928**
CEO Initiatives	**103**	(13)	53	**143**	(93)	0	**50**
Corporate Training	**66**	0	64	**130**	(42)	0	**88**
Customer Access & Accommodation Project	**1,668**	(150)	0	**1,518**	(1,518)	0	**0**
DLO Trading Account	**121**	0	0	**121**	(121)	0	**0**
DLO Vehicle Replacement Reserve *	**316**	0	0	**316**	(77)	0	**239**
Eco Towns Projects	**238**	0	0	**238**	0	0	**238**
Economic Development & Growth Initiatives	**315**	0	0	**315**	(122)	0	**193**
Garden Village	**512**	(53)	455	**914**	(519)	550	**945**
Homelessness Grant	**164**	0	0	**164**	(164)	0	**0**
Housing Enabling	**193**	0	10	**203**	(183)	0	**20**
Monkton Heathfield	**557**	(98)	0	**459**	(112)	0	**347**
Neighbourhood Planning Grant	**122**	0	0	**122**	0	0	**122**
New Homes Bonus Reserve	**4,231**	(911)	4,295	**7,615**	(5,170)	3,724	**6,169**
Parking	**95**	0	125	**220**	0	0	**220**
Performance & Client Consultancy	**63**	0	40	**103**	(63)	0	**40**
Resources Service Costs	**189**	(56)	61	**194**	(161)	0	**33**
SAP Replacement *	**320**	(251)	0	**69**	(69)	0	**0**
Self Insurance Fund	**485**	0	0	**485**	(285)	0	**200**
Transformation Reserve	**2,143**	(356)	258	**2,045**	(3,100)	1,727	**672**
Transition	**0**	0	0	**0**	0	386	**386**
Travel Plan	**149**	0	44	**193**	(37)	36	**192**
Waste Earmarked Reserve	**134**	(15)	74	**193**	(87)	0	**106**
Other Earmarked Reserves	**964**	(408)	221	**777**	(312)	0	**465**
Total General Fund	**17,344**	**(3,814)**	**8,084**	**21,614**	**(15,543)**	**8,123**	**14,194**

Earmarked Reserves	Balance at 31/3/2017 £000	Transfers Out £000	Transfers In £000	Balance at 31/3/2018 £000	Transfers Out £000	Transfers In £000	Balance at 31/3/2019 £000
Housing Revenue Account (HRA)							
Capital Financing Reserves *	**103**	0	0	**103**	(103)	0	**0**
Carry Forwards	**797**	(797)	344	**344**	(319)	161	**186**
Community Development Fund	**206**	0	0	**206**	(206)	0	**0**
Electrical Testing	**1,970**	(121)	0	**1,849**	(1,496)	121	**474**
Employment & Skills	**138**	0	0	**138**	(36)	0	**102**
One Teams	**257**	(145)	0	**112**	(62)	0	**50**
Planned External Maintenance	**1,148**	(172)	0	**976**	(976)	0	**0**
Potential Bad Debts	**434**	0	0	**434**	(434)	0	**0**
SAP Replacement *	**105**	(105)	0	**0**	0	0	**0**
Self Insurance Fund	**173**	0	0	**173**	(173)	0	**0**
Social Housing Development Fund	**1,289**	0	1,185	**2,474**	(2,264)	1,129	**1,339**
Transformation Reserve	**0**	(189)	189	**0**	(801)	1,180	**379**
Transition	**0**	0	0	**0**	0	178	**178**
Other Earmarked Reserves	**227**	(46)	0	**181**	(171)	0	**10**
Total HRA	**6,847**	**(1,575)**	**1,718**	**6,990**	**(7,041)**	**2,769**	**2,718**

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

- Business Rates Smoothing Reserve – to smooth the effect of successful Business Rates appeals
- Carry Forwards Reserve – to carry forward underspends and unallocated grants to future years
- Customer Access & Accommodation Reserve – to provide funding towards the refurbishment of the Council's main office
- New Homes Bonus Reserve - to receive and distribute the New Homes Bonus Grant
- Transformation – funding set aside for the costs of our Transformation programme including the formation of a new council for West Somerset and Taunton Deane
- Electrical Testing – to provide funding towards the HRA Electrical Testing Contracts
- Social Housing Development Fund – to provide funding towards Social Housing Development

10. Other Operating Expenditure

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

2017/18 £000		2018/19 £000
766	Parish Council precepts	773
13	Levies	0
382	Payments to the Government Housing Capital Receipts Pool	382
59	Pension Administration Costs	64
(1,270)	(Gains)/Losses on the disposal of non-current assets	(1,269)
(50)	**Total**	**(50)**

11. Financing and Investment Income and Expenditure

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

2017/18 £000		2018/19 £000
171	Trading account (surpluses) and deficits	72
2,542	Interest payable and similar charges	2,502
2,727	Net interest on the net defined liability (asset)	2,343
(475)	Interest receivable and similar income	(728)
(410)	Income and expenditure in relation to investment properties and changes in their fair value	(736)
4,555	**Total**	**3,453**

12. Taxation and Non Specific Grant Income

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

2017/18 £000		2018/19 £000
(6,943)	Council tax income	(7,323)
(3,267)	Non domestic rates income and expenditure	(4,465)
(4,750)	Non-ringfenced Government grants	(3,904)
(2,041)	Capital grants and contributions	(3,630)
(17,001)	**Total**	**(19,322)**

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

13. Expenditure and Income Analysed by Nature

The Council's expenditure and income is analysed as follows:-

2017/18 £000		2018/19 £000
	Expenditure	
25,885	Employee Benefits Expenses	33,678
49,747	Other Services Expenses	50,321
10,985	Depreciation, Amortisation, Impairment and Revenue Expenditure funded from Capital under Statute	21,190
(1,270)	Gain on the Disposal of Assets	(1,269)
5,269	Interest Payments	4,844
779	Precepts and Levies	773
382	Payments to Housing Capital Receipts Pool	382
91,777	**Total Expenditure**	**109,919**
	Income	
(46,447)	Fees, Charges and Other Service Income	(48,896)
(10,821)	Income from Council Tax, Non-Domestic Rates, District Rate Income	(11,725)
(33,501)	Government Grants and Contributions	(32,293)
(420)	Income and Expenditure in relation to investment properties and changes in their fair value	(736)
(475)	Interest and Investment Income	(728)
(91,664)	**Total Income**	**(94,378)**
113	**(Surplus) or Deficit on the Provision of Services**	**15,541**

14. Property, Plant and Equipment

The table below details the movement on the Council's assets shown on the Balance Sheet as property plant and equipment.

Movement in 2018/19	Council Dwellings £000	Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Cost or Valuation								
At 1 April 2018	**267,175**	**101,492**	**10,363**	**12,526**	**7,184**	**0**	**5,438**	**404,178**
Additions	11,174	65	1,352	0	613	0	9,925	**23,129**
Revaluation increases / (decreases) recognised in the Revaluation reserve	8,621	(639)	0	0	0	0	0	**7,982**
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(9,493)	0	0	0	0	0	**(9,493)**
Derecognition - Disposals	(592)	(164)	0	0	0	0	0	**(756)**
Assets reclassified within Property, Plant and Equipment	(180)	6,064	1,706	0	0	58	(7,648)	**0**
Assets reclassified (to)/from Investment Property	0	(14,366)	0	0	0	0	0	**(14,366)**
Assets reclassified (to)/from Held for Sale	188	0	0	0	0	0	0	**188**
At 31 March 2019	**286,386**	**82,959**	**13,421**	**12,526**	**7,797**	**58**	**7,715**	**410,862**
Accumulated Depreciation and Impairment								
At 1 April 2018	**0**	**(967)**	**(5,206)**	**(2,081)**	**(77)**	**0**	**0**	**(8,331)**
Depreciation charge	(6,511)	(1,411)	(895)	(231)	0	0	0	**(9,048)**
Depreciation written out to the Revaluation Reserve	6,511	994	0	0	0	0	0	**7,505**
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	226	0	0	0	0	0	**226**
Derecognition - Disposals	0	6	0	0	0	0	0	**6**
At 31 March 2019	**0**	**(1,152)**	**(6,101)**	**(2,312)**	**(77)**	**0**	**0**	**(9,642)**
Net Book Value								
At 31 March 2019	**286,386**	**81,807**	**7,320**	**10,214**	**7,720**	**58**	**7,715**	**401,220**

Comparative Movement 2017/18	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets under Construction £000	Total £000
Cost or Valuation							
At 1 April 2017	**247,284**	**97,280**	**11,403**	**12,526**	**7,157**	**3,215**	**378,865**
Additions	10,068	183	888	0	27	2,223	**13,389**
Revaluation increases / (decreases) recognised in the Revaluation reserve	13,530	5,285	0	0	0	0	**18,815**
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(1,019)	0	0	0	0	**(1,019)**
Derecognition - Disposals	(1,751)	(237)	(1,928)	0	0	0	**(3,916)**
Assets reclassified (to)/from Held for Sale	(1,956)	0	0	0	0	0	**(1,956)**
At 31 March 2018	**267,175**	**101,492**	**10,363**	**12,526**	**7,184**	**5,438**	**404,178**
Accumulated Depreciation and Impairment							
At 1 April 2017	**0**	**(363)**	**(5,937)**	**(1,850)**	**(77)**	**0**	**(8,227)**
Depreciation charge	(6,082)	(1,251)	(813)	(231)	0	0	**(8,377)**
Depreciation written out to the Revaluation Reserve	6,082	597	0	0	0	0	**6,679**
Depreciation written out to the Surplus / Deficit on the Provision of Services	0	47	0	0	0	0	**47**
Derecognition - Disposals	0	3	1,544	0	0	0	**1,547**
At 31 March 2018	**0**	**(967)**	**(5,206)**	**(2,081)**	**(77)**	**0**	**(8,331)**
Net Book Value							
As at 31 March 2018	**267,175**	**100,525**	**5,157**	**10,445**	**7,107**	**5,438**	**395,847**

Depreciation

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

- Council Dwellings – Various components over useful lives of between 15-100 years
- Other Land and Buildings – Straight Line allocation over a useful life of between 25-60 years
- Vehicles Plant and Equipment – Straight line basis over a useful life of between 4-10 years
- Infrastructure – Depreciation on a straight line basis of between 5-50 years.

Capital Commitments

The major contractual commitments on the Council's Housing Revenue Account and General Fund Capital Programme in 2018/19 are shown below.

General Fund

The Council has entered into contracts for the development of Taunton Technology Park and Coal Orchard. Remaining commitments on these contracts are approximately £1,070k.

The Council has also entered into a contract to commit a contribution of £1,500k towards the M5 Junction 25 Capacity Improvement Scheme.

Similar commitments as at 31 March 2018 on other General Fund Projects were approximately £4.628m in total.

Housing Revenue Account

At 31 March 2019 the Council has entered into a number of contracts to maintain the Housing Stock in 2019/20. These relate to Kitchens, Bathrooms, Fascias and Soffits and Heating Improvements and total approximately £2,695k.

Similar commitments at 31 March 2018 on Housing Revenue Account contracts were £1.512m.

Revaluations

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

Valuations at 31 March 2019 have been carried out by Wilks Head & Eve, Chartered Surveyors. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest prices adjusted for the condition of the asset.

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

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

- All properties have been valued as free from borrowings and encumbrances.
- The Valuer has not undertaken structural surveys of the properties, independent site investigations, tested services, nor exposed parts of the structure which were covered, unexposed or inaccessible.

- The Valuer has assumed inspection of those parts which have not been inspected would not cause the Valuer to alter his opinion of value. Nevertheless the Valuer has had regard to the age, use and general condition of the building when determining his opinion of the value.
- It is assumed that no high alumina cement, concrete or calcium chloride addition or other potentially deleterious material has been used in the construction of the properties and that none have subsequently been incorporated.
- The Valuer has assumed, unless advised to the contrary and confirmed in the Valuation report, that all properties and their values are unaffected by contamination and other environmental issues.
- The Valuer has not made enquires as to whether the properties meet statutory requirements regarding such matters as licences, fire precautions, public environmental health, health and safety at work and building regulations legislation, The Valuer has assumed that all properties comply with these various requirements.
- It is assumed that the Council will in the future maintain its property portfolio to a reasonable standard.
- Details of tenures have been derived from the tenancy schedules provided to the Valuer. For avoidance of doubt the Valuer has assumed these are accurate and up to date. The Valuer has not undertaken any inspection of title deeds. The properties have been valued on the basis that they are not subject to any unusual or onerous restrictions, encumbrances or outgoings and that good title can be shown. It is assumed that all properties have the necessary planning consents and certificates for use and construction and are not being used in breach of any covenants.
- Where a market value relies on an alternative planning use, this use has been derived from planning policies in consultation with the Council's Planning Service.
- All data provided by the Council used in the valuations is assumed to be correct.
- These valuations do not take into account Value Added Tax or any other taxes.

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

	Council Dwellings £000	**Other Land and Buildings £000**	**Vehicles, Plant and Equipment £000**	**Total £000**
Valued at Historic Cost	0	0	13,421	**13,421**
Valued at:				
31 March 2017	304	24,866	0	**25,170**
31 March 2018	0	39,542	0	**39,542**
31 March 2019	286,082	18,551	0	**304,633**
Total	**286,386**	**82,959**	**13,421**	**382,766**

15. Investment Property

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

2017/18 £000		2018/19 £000
539	Rental income from investment property	592
(116)	Gains/(losses) on the disposal of investment property	0
(13)	Net gains/(losses) from fair value adjustments	144
410	**Total**	**736**

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

2017/18 £000		2018/19 £000
4,303	Balance at start of the year	4,174
(116)	Disposals	0
(13)	Net gains/(losses) from fair value adjustments	143
	Transfers:	
0	(To)/from Property, Plant & Equipment	14,366
4,174	**Balance at end of the year**	**18,683**

Fair Value Measurement of Investment Property

Details of the Council's investment properties and information about the fair value hierarchy are as follows:

2017/18 £000	Significant Unobservable Inputs (Level 3)	2018/19 £000
1,718	Commercial Buildings	3,186
2,456	Commercial Land	15,497
4,174	**Investment Property**	**18,683**

Significant Unobservable Inputs – Level 3

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

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

Highest and Best Use of Investment Properties

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

Valuation Techniques

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

16. Financial Instruments

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

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

Financial Liabilities

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

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

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

Financial Assets

A Financial Asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following classifications:

Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow) comprising:

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

Fair value through profit and loss (all other financial assets) comprising:

- Money market funds and other collective investment schemes
- Covered bonds issued by building societies

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

Financial Instruments - Balances

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

31 March 2018			31 March 2019	
Long Term	Short Term	Financial Liabilities	Long Term	Short Term
£000	£000		£000	£000
		Loans at amortised cost:		
82,500	3,000	Principal sum borrowed	79,000	13,500
106	0	Accrued interest	105	1
82,606	**3,000**	**Total Borrowing**	**79,105**	**13,501**
		Liabilities at amortised cost:		
0	5,032	Trade payables	0	2,613
0	**5,032**	**Included in Creditors**	**0**	**2,613**
82,606	**8,032**	**Total Financial Liabilities**	**79,105**	**16,114**

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

31 March 2018			31 March 2019	
Long Term	Short Term	Financial Assets	Long Term	Short Term
£000	£000		£000	£000
		At amortised cost		
3	8,000	Principal	3	5,000
0	6	Accrued interest	0	15
0	0	Loss Allowance	0	(2)
		At fair value through profit & loss		
2,225	8,188	Fair value	2,157	0
2,228	**16,194**	**Total Investments**	**2,160**	**5,013**
		At amortised cost		
0	631	Principal	0	2,254
0	8	Accrued interest	0	6
0	0	Loss Allowance	0	(3)
		At fair value through profit & loss		
0	17,179	Fair value	0	18,086
0	**17,818**	**Total Cash and Cash Equivalents**	**0**	**20,343**
		At amortised cost		
67	2,728	Trade receivables	72	1,187
1,859	285	Loans made for service purposes	2,188	401
1,926	**3,013**	**Included in Debtors**	**2,260**	**1,588**
4,154	**37,025**	**Total Financial Assets**	**4,420**	**26,944**

Soft Loans

Soft loans are those advanced at below market rates in support of the Council's service priorities. The Council has no material outstanding soft loans and has made no material soft loans in 2018/19.

Financial Instruments - Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

2017/18 Financial Liabilities Amortised Cost £000	2017/18 Financial Assets Amortised Cost £000	2017/18 Financial Assets Fair Value through Profit & Loss £000	2017/18 Total £000		2018/19 Financial Liabilities Amortised Cost £000	2018/19 Financial Assets Amortised Cost £000	2018/19 Financial Assets Fair Value through Profit & Loss £000	2018/19 Total £000
2,542	0	0	2,542	Interest expense	2,502	0	0	2,502
0	0	0	0	Losses on derecognition	0	0	0	0
2,542	**0**	**0**	**2,542**	**Interest payable and similar charges**	**2,502**	**0**	**0**	**2,502**
0	(142)	(333)	(475)	Interest income	0	(175)	(530)	(705)
0	0	0	0	Gains from changes in fair value	0	0	(23)	(23)
0	**(142)**	**(333)**	**(475)**	**Interest and investment income**	**0**	**(175)**	**(553)**	**(728)**
2,542	**(142)**	**(333)**	**2,067**	**Net impact on surplus/deficit on provision of services**	**2,502**	**(175)**	**(553)**	**1,774**
0	0	95	95	Losses on revaluation				0
0	**0**	**95**	**95**	**Impact on other comprehensive income**	**0**	**0**	**0**	**0**
2,542	**(142)**	**(238)**	**2,162**	**Net Gain/(Loss) for the year**	**2,502**	**(175)**	**(553)**	**1,774**

Financial Instruments – Fair Values

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For these assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2019, using the following methods and assumptions:

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

• The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.

• No early repayment or impairment is recognised for any financial instrument.

• The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

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

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

31 March 2018 Carrying Amount £000	31 March 2018 Fair Value £000	Financial Liabilities	Fair Value Level	31 March 2019 Carrying Amount	31 March 2019 Fair Value
		Financial Liabilities held at Amortised Cost			
82,568	93,196	Long Term Loans from PWLB	3	79,568	80,313
3,038	5,122	Other Long Term Loans	3	13,038	14,930
85,606	**98,318**	**Total**		92,606	**95,243**
5,032		Liabilities for which fair value is not disclosed	*	2,613	
90,638		**Total Financial Liabilities**		**95,219**	
		Recorded on Balance Sheet as:			
5,032		Short Term Creditors		2,613	
3,000		Short Term Borrowing		13,501	
82,606		Long Term Borrowing		79,105	
90,638				**95,219**	

***** The fair value of short-term financial liabilities held at amortised cost, including trade payables, is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

31 March 2018 Carrying Amount £000	31 March 2018 Fair Value £000	Financial Assets	Fair Value Level	31 March 2019 Carrying Amount £000	31 March 2019 Fair Value £000
		Financial Assets held at Fair Value			
17,179	17,179	Bond Funds	1	15,086	15,086
10,413	10,413	Covered Bonds	1	2,157	2,157
0	0	Money Market Funds	1	3,000	3,000
		Financial Assets held at Amortised Cost			
(369)	(369)	Bank Accounts	*	(1,546)	(1,546)
9,017	9,017	Term Deposits	*	8,819	8,819
2,144	2,264	Loans made for Service Purposes	3	2,589	2,839
38,384	**38,504**	**Total**		**30,105**	**30,355**
2,795		Assets for which fair value is not disclosed	*	1,259	
41,179		**Total Financial Assets**		**31,364**	
		Recorded on Balance Sheet as:			
2,228		Long Term Investments		2,160	
1,926		Long Term Debtors		2,260	
16,194		Short Term Investments		5,013	
3,013		Short Term Debtors		1,588	
17,818		Cash & Cash Equivalents		20,343	
41,179		**Total Financial Liabilities**		**31,364**	

***** The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount.

The fair value of financial assets held at amortised cost is higher than their balance sheet carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is lower than the current rates available for similar loans as at the Balance Sheet date.

Transition to IFRS 9 Financial Instruments

The Council adopted the IFRS 9 Financial Instruments accounting standard with effect from 1st April 2018. The main changes include the reclassification and remeasurement of financial assets and the earlier recognition of the impairment of financial assets.

The Council has made use of the transitional provisions in IFRS 9 to not restate the prior year's financial statements, and the effect of the remeasurement is instead shown as an additional line in the Movement in Reserves Statement. The changes made on transition to the balance sheet are summarised below:

	IAS 39 31.3.18 £000	Reclassification £000	Impairment £000	IFRS 9 1.4.18 £000
FINANCIAL ASSETS				
Investments				
Loans & Receivables/Amortised Cost	8,009	0	(4)	8,005
Available for Sale/FVOCI	10,413	(10,413)	0	0
FVPL	0	10,413	0	10,413
Total Investments	**18,422**	**0**	**(4)**	**18,418**
Cash & Cash Equivalents				
Loans & Receivables/Amortised Cost	639	1,001	(1)	1,639
Available for Sale/FVOCI	17,179	(2,101)	0	15,078
FVPL	0	1,100	0	1,100
Total Cash & Cash Equivalents	**17,818**	**0**	**(1)**	**17,817**
Debtors				
Loans & Receivables/Amortised Cost	**4,939**	**0**	**(19)**	**4,920**
TOTAL FINANCIAL ASSETS	**41,179**	**0**	**(24)**	**41,155**
FINANCIAL LIABILITIES				
Borrowing				
Amortised Cost	(85,606)	0	0	(85,606)
Creditors				
Amortised Cost	(5,032)	0	0	(5,032)
TOTAL FINANCIAL LIABILITIES	**(90,638)**	**0**	**0**	**(90,638)**
RESERVES				
Usable Reserves				
General Fund	(23,912)	(24)	5	(23,931)
Other Usable Reserves	(29,457)	0	0	(29,457)
Total Usable Reserves	**(53,369)**	**(24)**	**5**	**(53,388)**
Unusable Reserves				
Available for Sale Financial Instruments Reserve	(24)	24	0	0
Capital Adjustment Account	(191,469)	0	19	(191,450)
Other Unusable Reserves	(4,929)	0	0	(4,929)
Total Unusable Reserves	**(196,422)**	**24**	**19**	**(196,379)**
TOTAL RESERVES	**(249,791)**	**0**	**24**	**(249,767)**

17. Debtors

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

Current Debtors:

31 March 2018 £000		31 March 2019 £000
2,728	Trade receivables	1,187
160	Prepayments	252
5,244	Other receivable amounts	8,886
8,132	**Total**	**10,325**

Long term Debtors:

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

31 March 2018 £000		31 March 2019 £000
56	Sundry Mortgages	55
10	Car/Bike Loans to Employees	17
742	Somerset CCC Loan	675
999	Somerset Waste Partnership Loan	795
39	COACH Loan	33
80	Hestercombe Loan	76
0	YMCA Loan	641
0	Expected Credit Losses	(32)
1,926	**Total**	**2,260**

Debtors for Local Taxation:

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

31 March 2018 £000		31 March 2019 £000
502	Less than one year	649
267	One to two years	304
169	Two to three years	190
434	More than three years	529
1,372	**Total**	**1,672**

18. Cash and Cash Equivalents

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

31 March 2018 £000		31 March 2019 £000
8	Cash held by the Council	6
(377)	Bank current accounts	(1,552)
1,008	Call Accounts	2,802
15,078	Bond Funds	15,086
2,101	Deposit Funds	4,001
17,818	**Total Cash and Cash Equivalents**	**20,343**

19. Assets Held for Sale

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

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

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

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

Current 31 March 2018 £000		Current 31 March 2019 £000
1,133	**Balance outstanding at start of the year**	**2,258**
	Assets newly classified as held for sale:	
1,956	Property, Plant and Equipment	635
	Assets declassified as held for sale:	
0	Property, Plant and Equipment	(823)
(831)	Assets sold	(1,435)
2,258	**Balance outstanding at year end**	**635**

20. Creditors

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

31 March 2018 £000		31 March 2019 £000
5,032	Trade payables	2,613
13,849	Other payables	16,527
18,881	**Total**	**19,140**

21. Provisions

31 March 2018 NNDR Appeals £000	31 March 2018 Other Provisions £000	31 March 2018 Total £000		31 March 2019 NNDR Appeals £000	31 March 2019 Other Provisions £000	31 March 2019 Total £000
934	**116**	**1,050**	**Balance at start of year**	**1,528**	**20**	**1,548**
722	0	**722**	Additional provisions made in year	0	579	**579**
(128)	(3)	**(131)**	Amounts used in year	(146)	0	**(146)**
0	(93)	**(93)**	Unused amounts reversed in year	(44)	0	**(44)**
1,528	**20**	**1,548**	**Balance at year-end**	**1,338**	**599**	**1,937**

Business Rates Appeals

The Local Government Finance Act 2012 introduced changes to the accounting arrangements for Business Rates. These changes require the Council to put in a provision for appeals for refunding ratepayers who have appealed against the rateable value of their properties on the rating list. The Council has to put in its best estimate of the expenditure required to settle the present obligation which totals £3.346m in respect of the Business Rates Collection Fund. There has not been any significant increase in the number of appeals during 2018/19 but the Council continues to take a prudent approach to evaluating the risk.

Other Provisions

The additional provision of £579k relates to termination costs arising from the Transformation project. This represents the Council's best estimate of the costs arising from decisions taken before 31 March 2019 where there is uncertainty as to the termination date of the relevant employees.

The balance of £20k is in respect of the Deposit Protection Scheme run by the Council to enable tenants to obtain private sector rented accommodation.

22. Usable Reserves

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

31 March 2018 £000		31 March 2019 £000
2,299	General Fund Balance	2,223
21,614	General Fund Earmarked Reserves	14,194
2,778	Housing Revenue Account Balance	2,718
6,990	Housing Revenue Account Earmarked Reserves	2,719
13,110	Capital Receipts Reserve	13,283
3,273	Major Repairs Reserve	2,711
3,305	Capital Grants Unapplied Account	4,414
53,369	**Total Usable Reserves**	**42,262**

23. Unusable Reserves

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

31 March 2018 £000		31 March 2019 £000
99,573	Revaluation Reserve	114,414
191,469	Capital Adjustment Account	190,995
(93,673)	Pensions Reserve	(89,484)
(474)	Collection Fund Adjustment Account	624
(497)	Accumulated Absences Account	(356)
24	Available-for-sale Financial Instruments Reserve	0
196,422	**Total Unusable Reserves**	**216,193**

Revaluation Reserve

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

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

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

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

31 March 2018 £000			31 March 2019 £000
74,612	**Balance as at 1 April**		**99,573**
27,884	Upward revaluation of assets	22,151	
(2,391)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(6,664)	
25,493	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		15,487
(420)	Difference between fair value depreciation and historical cost	(535)	
(112)	Accumulated gains on assets sold or scrapped	(111)	
(532)	Amount written off to the Capital Adjustment Account		(646)
99,573	**Balance as at 31 March**		**114,414**

Capital Adjustment Account

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

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

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

Note 8 – 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.

31 March 2018 £000			31 March 2019 £000
193,135	**Balance as at 1 April**		**191,469**
	Remeasurement of Financial Instruments following adoption of IFRS 9 (note 16)		**(19)**
	Remeasured Balance at 1 April 2018		**191,450**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
(8,377)	Charges for Depreciation and impairment of non current assets	(9,061)	
(971)	Revaluation losses on Property, Plant and Equipment	(9,267)	
(250)	Amortisation of intangible assets	(221)	
(1,387)	Revenue expenditure funded from capital under statute	(2,634)	
(3,315)	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	(2,185)	
(14,300)			(23,368)
532	Adjusting amounts written out of the Revaluation Reserve		646
(13,768)	**Net written out amount of the cost of non current assets consumed in the year**		**(22,722)**
	Capital financing applied in the year:		
317	Use of the Capital Receipts Reserve to finance new capital	2,899	
7,827	Use of Major Repairs Reserve to finance new capital expenditure	7,352	
1,337	Capital grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital	2,470	
266	Application of grants to capital financing from the Capital Grants Unapplied Account	0	
2,489	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	2,500	
367	Capital expenditure charged against the General Fund and HRA balances	7,180	
12,603			22,401
(13)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		144
(488)	Deferred Debtors repaid		(279)
191,469	**Balance as at 31 March**		**190,994**

Pensions Reserve

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

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

31 March 2018 £000		2018/19 £000
(99,480)	**Balance as at 1 April**	**(93,673)**
10,138	Remeasurement of the net defined benefit liability/(assets)	8,742
(8,624)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(9,508)
4,293	Employer's pension contributions and direct payments to pensioners payable in the year	4,955
(93,673)	**Balance as at 31 March**	**(89,484)**

Collection Fund Adjustment Account

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

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

31 March 2018 Council Tax £000	Business Rates £000	Total £000		2018/19 Council Tax £000	Business Rates £000	Total £000
265	**(197)**	**68**	**Balance as at 1 April**	**164**	**(638)**	**(474)**
(101)	(441)	(542)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	25	1,073	1,098
164	**(638)**	**(474)**	**Balance as at 31 March**	**189**	**435**	**624**

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.

31 March 2018 £000		2018/19	£000
(484)	**Balance as at 1st April**		**(496)**
484	Settlement or cancellation of accrual made at the end of the preceding year	496	
(496)	Amounts accrued at the end of the current year	(356)	
(12)	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.		140
(496)	**Balance as at 31st March**		**(356)**

Available-for-Sale Financial Instruments Reserve

The Available-for-Sale Financial Instruments Reserve is no lnger required following the reclassification of Financial Instruments in accordance with IFRS 9.

31 March 2018 £000		2018/19 £000
119	**Balance as at 1st April**	**24**
0	Balance transferred to General Fund on adoption of IFRS 9	(24)
(95)	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	0
24	**Balance as at 31st March**	**0**

24. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2017/18 £000		2018/19 £000
(491)	Interest received	(737)
2,543	Interest paid	2,501
2,052		**1,764**

The surplus/deficit on the provision of services has been adjusted for the following non-cash movements:

2017/18 £000		2018/19 £000
8,377	Depreciation	9,048
2,723	Impairment and downward valuations	9,267
250	Amortisation	221
13	Movement in fair value of investment property	(143)
297	Increase/(decrease) in impairment for bad debts	(92)
2,556	(Decrease)/increase in creditors	259
(2,973)	(Increase)/decrease in debtors	(2,101)
0	(Increase/decrease) in inventories	(17)
4,331	Movement in pension liability	4,553
1,563	Carrying amount of non-current assets sold or derecognised	2,185
498	Increase/(decrease in provisions)	389
17,635		**23,569**

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities: (Note 25):

2017/18 £000		2018/19 £000
(4,656)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(3,351)
(4,656)		**(3,351)**

25. Cash Flow Statement – Investing Activities

2017/18 £000		2018/19 £000
(13,528)	Purchase of Property, Plant and Equipment, Investment Property and intangible assets	(23,394)
(17,006)	Purchase of short-term & long-term investments	(15,013)
(80)	Other payments for investing activities	(750)
4,656	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	3,351
14,343	Proceeds from short-term and long-term investments	26,238
378	Other receipts from investing activities	416
(11,237)	**Net cash flows from investing activities**	**(9,152)**

26. Cash Flow Statement – Financing Activities

2017/18 £000		2018/19 £000
0	Cash receipts of short-term and long-term borrowing	10,000
(4,000)	Repayment of short-term and long-term borrowing	(3,000)
(4,000)	**Net cash flows from financing activities**	**7,000**

Reconciliation of Liabilities Arising From Financing Activities

2017/18 £000		2018/19 £000
	As at 1 April	
85,606	Long Term Borrowings	82,605
4,000	Short Term Borrowings	3,000
89,606		**85,605**
(4,000)	Financing Cash Flows	7,000
85,606	**As at 31 March**	**92,605**
82,605	Long Term Borrowings	79,105
3,000	Short Term Borrowings	13,500
85,605	**Total**	**92,605**

27. Trading Operations

Until 31st March 2017 there were two Direct Labour Organisations within the Council which operated as trading accounts. From 1st April 2017 the Building Maintenance DLO no longer operates as a trading account and has been incorporated within the Housing Revenue Account (as its primary role is to maintain the Council's housing stock).

The continuing trading operations are detailed below:

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

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

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

		2016/17		2017/18		2018/19	
		£'000	£'000	£'000	£'000	£'000	£'000
Building Maintenance DLO	Turnover	(5,303)		0		0	
	Expenditure	5,258		0		0	
	(Surplus)/Deficit		**(45)**		**0**		**0**
Grounds Maintenance DLO	Turnover	(3,241)		(3,456)		(3,486)	
	Expenditure	3,281		3,487		3,364	
	(Surplus)/Deficit		**40**		**31**		**(122)**
Net DLO (Surplus)/Deficit			**(5)**		**31**		**(122)**
Deane Helpline	Turnover	(1,030)		(1,155)		(1,127)	
	Expenditure	1,090		1,295		1,321	
	(Surplus)/Deficit		**60**		**140**		**194**
Net Trading (Surplus)/Deficit			**55**		**171**		**72**

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

28. Members' Allowances

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

2017/18 £000		2018/19 £000
313	Allowances	314
15	Expenses	18
328	**Allowances paid in the year**	**332**

29. Officers' Remuneration

Taunton Deane Borough Council and West Somerset District Council operate a shared management and staff structure and the figures below represent the full cost of remuneration paid to employees working jointly for both councils.

Through the joint Transformation Programme and the creation of the new Somerset West and Taunton Council, a new senior management structure was established with effect from October 2018 and a new Chief Executive appointed from 1 January 2019. New 'Head of Function' posts were introduced with all Assistant Director posts, the Assistant Chief Executive post and two Director posts deleted. Officers in the deleted posts left at different times during the year according to agreed transition arrangements for the major changes being implemented.

The former joint Chief Executive of Taunton Deane Borough and West Somerset District councils left on 28 February 2019. The following table includes part year costs in 2018/19 for the Chief Executive, Former Chief Executive, Head of Commercial Investment, Head of Localities, Head of Customer, Head of Strategy, Head of Communications and Engagement, Head of Performance and Governance, Director of Growth and Development, Director of Housing and Communities, and all Assistant Directors apart from Planning and Environment who left on 31 March 2019.

Post holder information (Post Title)		Salary, Fees and Allowances £	Compensation for Loss of Office £	Expenses Allowances £	Total Remuneration excluding pension contributions £	Pension Contributions £	Total Remuneration £	Annualised Salary £
Chief Executive	**2018/19**	28,750	0	0	**28,750**	4,427	**33,177**	115,000
	2017/18	0	0	0	0	0	0	0
Former Chief Executive	**2018/19**	115,453	88,899	1,546	**205,898**	16,157	**222,055**	114,455
	2017/18	119,126	0	0	119,126	14,311	133,437	112,211
Director for Operations & Deputy Chief Executive	**2018/19**	90,212	0	573	**90,785**	14,203	**104,988**	90,212
	2017/18	88,443	0	0	88,443	10,115	98,558	88,443
Head of Commercial Investment	**2018/19**	42,453	0	298	**42,751**	6,538	**49,289**	84,905
	2017/18	0	0	0	0	0	0	0
Head of Localities	**2018/19**	42,453	0	0	**42,453**	6,538	**48,991**	84,905
	2017/18	0	0	0	0	0	0	0
Head of Customer	**2018/19**	38,250	0	298	**38,548**	8,422	**46,970**	76,500
	2017/18	0	0	0	0	0	0	0
Head of Strategy	**2018/19**	33,608	0	466	**34,074**	5,891	**39,965**	76,500
	2017/18	0	0	0	0	0	0	0
Head of Communications & Engagement	**2018/19**	38,495	0	3,264	**41,759**	0	**41,759**	80,000
	2017/18	0	0	0	0	0	0	0
Head of Performance & Governance	**2018/19**	38,495	0	143	**38,638**	5,928	**44,566**	80,000
	2017/18	0	0	0	0	0	0	0
Strategic Finance Adviser & S151 Officer	**2018/19**	68,779	0	2,132	**70,911**	10,592	**81,503**	63,679
	2017/18	67,013	0	0	67,013	8,122	75,135	62,430
Director for Growth & Development	**2018/19**	42,453	0	0	**42,453**	6,538	**48,991**	83,240
	2017/18	83,247	0	0	83,247	10,318	93,565	83,247
Director for Housing & Communities	**2018/19**	**42,453**	**0**	**0**	**42,453**	6,429	**48,882**	93,240
	2017/18	83,240	0	0	83,240	10,361	93,601	83,240
Assistant Chief Executive & Monitoring Officer	**2018/19**	67,394	0	0	**67,394**	10,379	**77,773**	67,394
	2017/18	67,427	0	0	67,427	7,992	75,419	66,072
Assistant Director - Housing & Community Development	**2018/19**	35,738	0	0	**35,738**	5,504	**41,242**	62,466
	2017/18	62,430	0	0	62,430	7,419	69,849	62,430
Assistant Director - Planning & Environment	**2018/19**	64,950	32,327	309	**97,586**	9,807	**107,393**	63,679
	2017/18	62,430	0	0	62,430	7,489	69,919	62,430
Assistant Director - Corporate Services	**2018/19**	31,839	0	0	**31,839**	4,903	**36,742**	63,679
	2017/18	62,430	0	0	62,430	7,489	69,919	62,340
Assistant Director - Operational Delivery	**2018/19**	42,855	0	322	**43,177**	4,903	**48,080**	63,679
	2017/18	62,490	0	0	62,490	7,479	69,969	62,430
Assistant Director - Business Development	**2018/19**	31,839	42,133	0	**73,972**	4,903	**78,875**	63,679
	2017/18	62,430	0	0	62,430	7,489	69,919	62,430
Assistant Director - Energy & Infrastructure	**2018/19**	12,008	0	282	**12,290**	1,826	**14,116**	62,430
	2017/18	66,748	0	0	66,748	8,066	74,814	62,430
Assistant Director - Resources & Support	**2018/19**	36,902	49,112	0	**86,014**	5,473	**91,487**	69,683
	2017/18	69,683	0	0	69,683	8,490	78,173	69,683

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

2017/18 Number of employees Total	Remuneration Band	2018/19 Number of employees Total
5	£50,000 - £54,999	14
0	£55,000 - £59,999	5
0	£60,000 - £64,999	2
0	£75,000 - £79,999	2

30. Termination Benefits

As part of the Transformation project with West Somerset the Councils jointly terminated the contracts of 191 employees in 2018/19, compared to 0 in 2017/18.

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

Exit Package Cost Band (including special payments)	Number of Other Departures Agreed		Number of Compulsory Redundancies		Total Number of Exit Packages By Cost Band		Total Cost of Exit Packages In Each Band (£)	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18 £000	2018/19 £000
£0 - £20,000	0	112	0	0	0	112	0	1,360
£20,001-£40,000	0	39	0	0	0	39	0	1,129
£40,001-£60,000	0	16	0	0	0	16	0	761
£60,001-£80,000	0	12	0	0	0	12	0	834
£80,001-£100,000	0	6	0	0	0	6	0	535
£100,001-£120,000	0	2	0	0	0	2	0	213
£120,001-£140,000	0	1	0	0	0	1	0	138
£140,001-£160,000	0	1	0	0	0	1	0	152
£180,001-£200,000	0	1	0	0	0	1	0	196
£340,001-£360,000	0	1	0	0	0	1	0	343
Total included in the CIES	**0**	**191**	**0**	**0**	**0**	**191**	**0**	**5,661**

These figures are split between Taunton Deane Borough Council and West Somerset Council in the proportion 83.55:16.45.

31. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts:

2017/18 £000		2018/19 £000
51	Fees payable to external auditors with regards to external audit services carried out by the appointed auditor for the year	39
10	Fees paid to external auditors for the certification of grant claims and returns for the year	21
61	**Total**	**60**

32. Grant Income

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

2017/18 £000		2018/19 £000
	Credited to Taxation and Non Specific Grant Income	
645	Revenue Support Grant	280
4,035	New Homes Bonus	3,565
70	Other Non Specific Government Grants	30
1,520	Capital Grants	3,630
6,270	**Total**	**7,505**
	Credited to Services	
14,986	Rent Allowances	13,098
10,972	Rent Rebates	9,877
424	Housing Benefit Admin	396
849	Other Grants and Contributions	4,216
27,231	**Total**	**27,587**
33,501		**35,092**

33. Related Parties

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

UK Central Government

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

Transactions to and from the Pension Fund are detailed in Note 36.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2018/19 is shown in Note 28.

During 2018/19, works and services to the value of £10,655 were commissioned from organisations in which one Member had an interest. Contracts were entered into in full compliance with the Council's standing orders. In addition, the Council paid grants totalling £111,023 to voluntary organisations in which two Members had positions on the governing body. In all instances, the grants were made with proper consideration of declarations of interest. The relevant Member did not take part in any discussion or decision relating to the grants. Details of all these interests are recorded in the Register of Members Interests, open to public inspection at the Council office during office hours.

Officers

During 2018/19 works and services to the value of £36,671 were commissioned from organisations in which one senior officer had an interest. Contracts were entered into in full compliance with the Council's standing orders.

The Council is a member of South West Audit Partnership Limited, a company limited by guarantee which provides internal audit services to its thirteen local authority members (including this Council). During the year the Head of Performance and Governance replaced the Assistant Director – Corporate Services and the Assistant Director – Resources & Support as a Director of South West Audit Partnership Limited.

34. Capital Expenditure and Capital Financing

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

2017/18 £000		2018/19 £000
111,654	**Opening Capital Financing Requirement**	**114,048**
	Capital investment	
13,389	Property, Plant and Equipment	23,128
80	Loans made for service provision	750
139	Intangible Assets	265
1,387	Revenue Expenditure Funded from Capital under Statute	2,634
14,995		**26,777**
	Sources of finance	
(317)	Capital receipts	(2,899)
(1,603)	Government Grants and Other Contributions	(2,470)
(7,827)	Major Repairs Allowance	(7,352)
	Sums set aside from revenue	
(367)	Direct revenue contributions	(7,180)
(2,487)	Minimum Revenue Provision (MRP)	(2,500)
(12,601)		**(22,401)**
114,048	**Closing Capital Financing Requirement**	**118,424**
	Explanation of movements in the Capital Financing Requirement in year:	
975	Increase / (Decrease) in underlying need to borrowing (unsupported by Government financial assistance)	4,376
975	**Increase/(decrease) in Capital Financing Requirement**	**4,376**

35. Leases

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

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

Council as Lessor

Operating Leases

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

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

2017/18 £000		2018/19 £000
582	Not later than one year	768
2,139	Later than one year and not later than five years	2,820
2,291	Later than five years and not later than ten years	3,021
5,012	**Total payments due in future years**	**6,609**

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

36. Defined Benefit Pensions Schemes

Participation in Pension Schemes

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

The Council participates in the Local Government Pension Scheme (LGPS) administered locally by Peninsula Pensions on behalf of the Somerset Pension Fund. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with the investment assets.

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and is contracted out of the State Second Pension Scheme and currently provides benefits based on career average revalued salary and length of service on retirement, with various protections in place for those members in the scheme before the changes took place.

The Somerset Pension Fund is operated under the regulatory framework of the Local Government Pension Scheme and the governance of the Scheme is the responsibility of the Pensions Committee of Somerset County Council. Policy is determined in accordance with the Pension Fund Regulations.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme (i.e. largescale withdrawals from the scheme, changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute described in the accounting policies note.

Transactions relating to post-employment benefits

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

2017/18 £000		2018/19 £000
	Comprehensive Income and Expenditure Statement (CIES)	
	Cost of Services	
5,838	Current service cost	7,101
59	Administration expenses	64
	Financing and Investment Income and Expenditure:	
2,727	Net interest expense	2,343
8,624	**Total Post Employment Benefits charged to the Surplus on the Provision of Services**	**9,508**
	Remeasurement of the net defined liability comprising:	
(2,176)	Return on assets (excluding the amount included in the net interest expense)	(2,945)
(7,962)	Actuarial gains and losses arising on changes in financial assumptions	5,844
0	Actuarial gains and losses arising on changes in demographic assumptions	(11,641)
(10,138)	**Total Post Employment Benefit Charged to the Income and Expenditure Statement**	**(8,742)**
	Movement in Reserves Statement	
(8,624)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(9,508)
	Actual amount charged against the General Fund balance for pensions in the year:	
4,293	Employers contributions payable to scheme	4,955

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

2017/18 £000	Local Government Pension Scheme	2018/19 £000
(200,050)	Present value of the defined obligation	(201,363)
108,717	Fair value of plan assets	114,075
(91,333)	Sub-total	(87,288)
(2,340)	Present value of unfunded obligation	(2,196)
(93,673)	**Net liability arising from defined benefit obligation**	**(89,484)**

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

2017/18 £000	Funded liabilities: Local Government Pension Scheme	2018/19 £000
(203,382)	**Opening balances as at 1 April**	**(202,390)**
(5,817)	Current service cost	(5,530)
(5,633)	Interest cost	(5,112)
(988)	Contributions from scheme participants	(1,027)
	Remeasurement (gains) and losses	
0	Actuarial gains/losses arising from changes in demographic assumptions	11,641
7,962	Actuarial gains/losses arising from changes in financial assumptions	(5,844)
(21)	Past service cost	(1,571)
5,331	Benefits paid	6,130
158	Unfunded Pension Payments	144
(202,390)	**Closing balance as at 31 March**	**(203,559)**

Reconciliation of fair value of the scheme assets:

2017/18 £000	Local Government Pension Scheme	2018/19 £000
103,902	**Opening fair value of scheme assets**	**108,717**
2,906	Interest income	2,769
	Remeasurement (gain/loss):	
2,176	The return on plan assets, excluding the amount in the net interest expense	2,945
4,293	Contributions from employers	4,955
988	Contributions from scheme participants into the scheme	1,027
(5,489)	Benefits paid	(6,274)
(59)	Administration expenses	(64)
108,717	**Closing balance as at 31st March**	**114,075**

Local Government Pension Scheme assets comprised:

2017/18 £000	Fair Value of Scheme Assets	2018/19 £000
77,609	Equities	79,729
5,883	Gilts	6,479
10,183	Other bonds	10,421
10,321	Property	9,931
4,721	Cash	7,515
108,717	**Total**	**114,075**

From the information we have received from the Administering Authority we understand that of the total Fund at 31 March 2019 approximately £58.178m (2018 £9.350m) of Equities and £9.925m (2018 £10.328m) of Property did not have a quoted market price in an active market.

Basis for Estimating Assets and Liabilities

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

2017/18	Local Government Pension Scheme	2018/19
	Long-term expected rate of return on assets in the scheme:	
	Mortality assumptions:	
	Longevity at 65 for current pensioners	
24.0	- Men	22.9
25.2	- Women	24.0
	Longevity at 65 for future pensioners	
26.2	- Men	24.6
27.5	- Women	25.8
3.30%	Rate of inflation - RPI	3.40%
2.30%	Rate of inflation - CPI	2.40%
3.80%	Rate of increase in salaries	2.50%
2.30%	Rate of increase in pensions	2.40%
2.55%	Rate for discounting scheme liabilities	2.40%
10.0%	Take up option to convert annual pension into retirement lump sum	10.00%

Sensitivity Analysis:

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

	Impact on the Defined Benefit Obligation In the Scheme	
	Increase in Assumption £000	**Decrease in Assumption £000**
Longevity (increase or decrease in 1 year)	(7,794)	7,498
Rate of increase in salaries (increase or decrease by 0.1%)	(372)	369
Rate of increase in pensions (increase or decrease by 0.1%)	(3,550)	3,482
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	3,848	(3,926)

Impact on the Council's Cash Flows

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £89.484m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

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

The total of contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2020 is £4.214m.

37. Contingent Liabilities

Leisure Contract

During 2004/05, the Council created a Leisure Trust, Tone Leisure, to manage its leisure services on its behalf. In January 2017 Tone Leisure formally merged with Greenwich Leisure Limited (GLL) and its employees transferred to GLL in accordance with the Transfer of Undertakings (Protection of Employment) rules. The Council remains liable for the deficit on the Pension Fund attributable to GLL at 31 March 2019 only if GLL can no longer be considered a going concern. The Council has assessed GLL as a going concern and any potential liability is therefore considered minimal.

During the year the council has carried out a tendering exercise the result of which means that a new leisure operator, Sports and Leisure Management Ltd. will manage leisure services from 1 August 2019. It has been assumed that the new operator will take on any existing pension liabilities on a fully funded basis and will therefore be credited with assets equivalent to the value of the pension liabilities assumed.

South West Audit Partnership Limited

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

Business Rates Appeal by the NHS

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

38. Nature and Extent of Risks Arising From Financial Instruments

The Council has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with The Prudential Code for Capital Finance in Local Authorities (both revised in December 2017).

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

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

The Council's treasury management activities expose it to a variety of financial risks including:

- ***Credit Risk*** - the possibility that other parties might fail to pay amounts due to the Council.
- ***Liquidity Risk*** - the possibility that the Council might not have funds available to meet its commitments to make payments.
- ***Market Risk*** - the possibility that financial loss may arise for the Council as a result of changes in such measures as interest rates and stock market movements.

Credit Risk: Treasury Investments

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

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £6.0m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2019 that this was likely to crystallise.

The Council does not hold collateral against any investments.

Credit Risk Exposure

The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity:

2017/18			2018/19	
Long Term £000	Short Term £000	Credit Rating	Long Term £000	Short Term £000
2,225	25,295	AAA	2,225	19,000
0	3,000	AA-	0	0
0	2,000	A+	0	7,800
0	4,000	Unrated	0	0
2,225	**34,295**	**Total**	**2,225**	**26,800**

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 150% to adjust for current and forecast economic conditions. A two-year delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a “D” credit rating or equivalent. At 31st March 2019, £0.005m (2018: £0.005m) of loss allowances related to treasury investments.

Trade Receivables

During 2018/19 the Council continued to carefully review historic debtor balances and has written off old irrecoverable debts. The Council has a policy of exploring cost effective ways to ensure debts are fully recovered and thus minimise exposure to credit risk.

The following analysis summarises the Council’s trade and lease receivables, by due date. Only those receivables meeting the definition of a financial asset are included.

31 March 2018 Trade Debtors £000		31 March 2019 Trade Debtors £000
2,209	Past due less than three months	2,300
358	Past due over three months up to six months	49
101	Past due over six months up to twelve months	151
160	Past due over twelve months	135
0	Individually impaired	0
2,828		**2,635**

Loss allowances on trade receivables have been calculated by reference to the Council’s historic experience of default, multiplied by 150% to adjust for current and forecast economic conditions. Receivables are determined to have suffered a significant increase in credit risk where they are 30 or more days past due and they are determined to be credit-impaired where they are 90 or more days past due.

Credit Risk: Loans

In furtherance of the Council’s service objectives, it has lent money to local organisations at market rates. The amount recognised on the balance sheet is £2.621m (2018 £2,149m) and the Council’s total exposure to credit risk from these instruments is £3,217m (2018 £2,480m).

The Council manages the credit risk inherent in its loans for service purposes in line with its published Investment Strategy.

Loss allowances on loans for service purposes total £0.032m (2018 £0.019m) and have been calculated by reference to 12-month expected credit losses as there is no experience of default on such loans.

Liquidity Risk

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

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

2017/18			2018/19	
Long Term	**Short Term**	**Credit Rating**	**Long Term**	**Short Term**
£000	**£000**		**£000**	**£000**
		Loans by Type		
79,500	3,000	Public Works Loan Board	76,000	3,500
3,000	0	Other Financial Institutions	3,000	0
0	0	Other Local Authorities	0	10,000
82,500	**3,000**		**79,000**	**13,500**
		Loans by Maturity		
0	3,000	Less than 1 year	0	13,500
3,500	0	Over 1 but not over 2 years	3,500	0
18,500	0	Over 2 but not over 5 years	22,000	0
43,000	0	Over 5 but not over 10 years	41,000	0
10,500	0	Over 10 but not over 15 years	5,500	0
7,000	0	More than 20 years	7,000	0
82,500	**3,000**		**79,000**	**13,500**

Market Risks:

Interest Rate Risk

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

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

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

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

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

	£000
Increase in interest payable on variable rate borrowings	50
Increase in interest receivable on variable rate investments	(208)
Impact on Surplus or Deficit on the Provision of Services	**(158)**
Decrease in fair value of fixed rate borrowings	(360)
Decrease in fair value of fixed rate investment assets	(33)

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

Price Risk

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

Foreign Exchange Risk

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

Housing (HRA) Income and Expenditure Account

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

2017/18			2018/19	
£000	£000		£000	£000
		Income		
	(24,398)	Dwelling Rents		(24,074)
	(626)	Non Dwelling Rents		(634)
	(1,271)	Charges for Services/Facilities		(1,737)
	(428)	Contributions Towards Expenditure		(328)
	(26,723)			(26,773)
		Expenditure		
7,091		Repairs and Maintenance	7,331	
8,342		Supervision and Management	9,595	
360		Rents, Rates, Taxes and Other Charges	472	
6,534		Depreciation and Impairment of Fixed Assets	11,512	
57		Movement in the Allowance for Bad Debts	(91)	
	22,384			28,819
	(4,339)	**Net Income of HRA Services as included in the Comprehensive Income and Expenditure Statement**		**2,046**
	225	HRA Service Share of Corporate and Democratic Core		229
	(4,114)	**Net (Income)/Expenditure of HRA Services**		**2,275**
		HRA Share of Operating and Expenditure included in the Comprehensive Income and Expenditure Statement:		
	19	Pension Administration Costs		21
	(1,360)	(Gain) or Loss on Sale of HRA Fixed Assets		(1,094)
	2,715	Interest Payable and Similar Charges		2,681
	(63)	Interest and Investment Income		0
	888	Pension Interest Cost		763
	0	Capital grants and contributions		(144)
	(1,915)	**(Surplus)/Deficit for the year on HRA Services**		**4,502**

Statement of Movement on the HRA Balance

2017/18 £000	2017/18 £000		2018/18 £000	2018/18 £000
	3,224	**Balance on the HRA at the end of the previous year**		2,778
1,915		Surplus or the year on the HRA Income and Expenditure Account	(4,502)	
(2,217)		Adjustments between accounting basis and funding under Statute (see analysis in Notes to the Supplementary Statements)	171	
(302)		Reserves	(4,331)	
(144)		Transfers (to) or from Reserves	4,271	
	(446)	Increase or (Decrease) in the Year on the HRA		(60)
	2,778	**Balance on the HRA at the end of the current year**		2,718

Collection Fund

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

2017/18 Business Rates £000	2017/18 Council Tax £000	2017/18 Total £000		2018/19 Business Rates £000	2018/19 Council Tax £000	2018/19 Total £000
			Income			
0	(64,825)	**(64,825)**	Council Tax Receivable	0	(69,656)	**(69,656)**
(40,160)	0	**(40,160)**	Business Rates Receivable	(40,059)	0	**(40,059)**
2,414	0	**2,414**	Transitional Protection Payments	889	0	**889**
			Apportionment of Previous Year's Surplus/(Deficit)			
(48)	0	**(48)**	Central Government	(1,172)	0	**(1,172)**
(9)	1,114	**1,105**	Somerset County Council	(211)	432	**221**
0	184	**184**	Police and Crime Commissioner for Avon and Somerset	0	70	**70**
(1)	82	**81**	Devon & Somerset Fire & Rescue Authority	(23)	31	**8**
(38)	167	**129**	Taunton Deane Borough Council	(937)	65	**(872)**
(37,842)	**(63,278)**	**(101,120)**	**Total Income**	**(41,513)**	**(69,058)**	**(110,571)**
			Expenditure			
			Demands and Shares			
18,522	0	**18,522**	Central Government	19,024	0	**19,024**
3,334	45,940	**49,274**	Somerset County Council	3,424	49,458	**52,882**
0	7,426	**7,426**	Police and Crime Commissioner for Avon and Somerset	0	8,040	**8,040**
370	3,331	**3,701**	Devon & Somerset Fire & Rescue Authority	380	3,485	**3,865**
14,818	6,877	**21,695**	Taunton Deane Borough Council	15,219	7,234	**22,453**
169	0	**169**	Costs of Collection	173	0	**173**
1,485	0	**1,485**	Increase/(Decrease) in Provision for Appeals	(474)	0	**(474)**
390	616	**1,006**	Increase/(Decrease) in Allowance for Impairment of Bad and Doubtful Debts	400	598	**998**
7	0	**7**	Interest on Refunds	1	0	**1**
356	0	**356**	Disregarded Amounts	166	0	**166**
39,451	**64,190**	**103,641**		**38,313**	**68,815**	**107,128**
1,609	**912**	**2,521**	**(Surplus)/Deficit for the year**	**(3,200)**	**(243)**	**(3,443)**
494	(2,458)	(1,964)	(Surplus)/Deficit Balance Brought Forward	2,103	(1,546)	557
2,103	**(1,546)**	**557**	**(Surplus)/Deficit Balance Carried Forward**	**(1,097)**	**(1,789)**	**(2,886)**
			Attributable to:			
1,052	0	**1,052**	Central Government	(548)	0	**(548)**
189	(1,120)	**(931)**	Somerset County Council	(99)	(1,290)	**(1,389)**
0	(182)	**(182)**	Police and Crime Commissioner for Avon and Somerset	0	(219)	**(219)**
21	(80)	**(59)**	Devon and Somerset Fire and Rescue Authority	(11)	(91)	**(102)**
841	(164)	**677**	Taunton Deane Borough Council	(439)	(189)	**(628)**
2,103	**(1,546)**	**557**		**(1,097)**	**(1,789)**	**(2,886)**

Notes to the Supplementary Statements

Housing Revenue Account

A Housing Stock

The Council was responsible for managing close to 5,700 dwellings during 2018/19. The stock at 31 March was made up as follows:

2017/18 £000		2018/19 £000
2,831	Houses	2,841
846	Bungalows	846
2,045	Flats and Maisonettes	2,037
5,722		**5,724**
1	Shared Equity	1
5,723		**5,725**

The change in stock was made up of 36 sales, the construction of 26 new dwellings and the buyback of 12 properties.

B Value of Assets

The balance sheet value of HRA assets at 31 March 2018 and 31 March 2019 is shown below.

Movement in 2018/19	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infra-structure Assets £000	Total Property, Plant and Equipment £000	Assets Held For Sale £000	Intangible Assets £000	Total £000
Cost or Valuation								
At 1 April 2018	**267,175**	**18,712**	**260**	**1,987**	**288,134**	**2,042**	**753**	**290,929**
Additions	11,174	0	22	0	**11,196**	0	23	**11,219**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	8,621	(5,363)	0	0	**3,258**	0	0	**3,258**
Revaluation increases / (decreases) recognised in the Surplus/deficit on the Provision of Services	0	(4,709)	0	0	**(4,709)**	0	0	**(4,709)**
Derecognition - Disposals	(592)	(10)	0	0	**(602)**	(1,219)	0	**(1,821)**
Reclassified wirhin Property, Plant and Equipment	(180)	180	0	0	**0**	0	0	**0**
Reclassified (to)/from Held From Sale	188	0	0	0	**188**	(188)	0	**0**
At 31 March 2019	**286,386**	**8,810**	**282**	**1,987**	**297,465**	**635**	**776**	**298,876**
Accumulated Depreciation and Impairment								
At 1 April 2018	**0**	**(633)**	**(152)**	**(512)**	**(1,297)**	**0**	**(728)**	**(2,025)**
Depreciation charge	(6,511)	(279)	(31)	(51)	**(6,872)**	0	(24)	**(6,896)**
Depreciation written out to the Revaluation Reserve	6,511	691	0	0	**7,202**	0	0	**7,202**
Depreciation written out to the Surplus / Deficit on the Provision of Services	0	221	0	0	**221**	0	0	**221**
At 31 March 2019	**0**	**0**	**(183)**	**(563)**	**(746)**	**0**	**(752)**	**(1,498)**
Net Book Value								
At 31 March 2019	**286,386**	**8,810**	**99**	**1,424**	**296,719**	**635**	**24**	**297,378**

Comparative Movement 2017/18	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infra-structure Assets £000	Total Property, Plant and Equipment £000	Assets Held For Sale £000	Intangible Assets £000	Total £000
Cost or Valuation								
At 1 April 2017	**247,284**	**18,492**	**203**	**1,987**	**267,966**	**917**	**753**	**269,636**
Additions	10,068	0	57	0	**10,125**	0	0	**10,125**
Revaluation increases / (decreases) recognised in the Revaluation reserve	13,530	220	0	0	**13,750**	0	0	**13,750**
Derecognition - Disposals	(1,751)	0	0	0	**(1,751)**	(831)	0	**(2,582)**
Reclassified (to)/from Held From Sale	(1,956)	0	0	0	**(1,956)**	1,956	0	**0**
At 31 March 2018	**267,175**	**18,712**	**260**	**1,987**	**288,134**	**2,042**	**753**	**290,929**
Accumulated Depreciation and Impairment								
At 1 April 2017	**0**	**(363)**	**(127)**	**(460)**	**(950)**	**0**	**(653)**	**(1,603)**
Depreciation charge	(6,082)	(276)	(25)	(52)	**(6,435)**	0	(75)	**(6,510)**
Depreciation written out to the Revaluation Reserve	6,082	6	0	0	**6,088**	0	0	**6,088**
At 31 March 2018	**0**	**(633)**	**(152)**	**(512)**	**(1,297)**	**0**	**(728)**	**(2,025)**
Net Book Value								
At 31 March 2018	**267,175**	**18,079**	**108**	**1,475**	**286,837**	**2,042**	**25**	**288,904**

C Value of Dwellings at 31 March 2019

The open market value of dwellings within the HRA at 31 March 2019 is £818.245m compared with the balance sheet value of £286.386m. The difference of £531.859m 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 2018 £000		31 March 2019 £000
897	Rent Arrears	**736**
(342)	Provision for Bad Debts	(322)
555	**Anticipated Collectable Arrears**	**414**
2.20%	Arrears as % of Gross Rent Income	1.70%

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 1.77% (1.14% in 2017/18) of available properties were vacant. Average weekly rents were £80.89, a decrease of £0.73 (-0.89%) 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.

2017/18 £000		2018/19 £000
4,591	**Balance as at 1 April**	**3,273**
6,509	Transfer from Revenue to Major Repairs Reserve	6,790
(7,827)	Financing of HRA Capital Expenditure	(7,352)
3,273	**Balance as at 31 March**	**2,711**

H Total Capital Expenditure and Receipts

2017/18 £000		2018/19 £000
	HRA Capital Expenditure	
10,068	Dwellings	11,174
0	Intangible Assets	23
57	Vehicles, Plant and Equipment	182
0	Revenue Expenditure funded from Capital under Statute	0
10,125		**11,379**
	Financed By	
0	Capital Receipts	1,596
0	Government Grants and Contributions	144
0	Contribution from Revenue	2,287
7,827	Major Repairs Reserve	7,352
2,298	Borrowing	0
10,125		**11,379**

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

2017/18 £0		2018/19 £000
3,978	Dwellings	2,917
(69)	Administrative Cost of Sales	(44)
3,909		**2,873**

I 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 £187,181 (2017/18 £496,586) included within management expenditure, which reflects the current service costs of the Pension Scheme, in accordance with IAS 19. 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.

J 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.

2017/18 £000		2018/19 £000
17	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statute requirements	(30)
(1,360)	Reversal of (gain) or loss on sale of HRA non-current assets	(1,094)
(105)	Capital expenditure charged against revenue	(2,432)
1,404	HRA share of contributions to or from the Pensions Reserve	971
(6,509)	Transfer to/(from) the Major Repairs Reserve	(6,790)
4,336	Transfer to/(from) the Capital Adjustment Account	9,546
(2,217)	Balance on the HRA at the end of the current year	**171**

Collection Fund

K Council Tax

The Council's tax base for 2018/19, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply), converted to an equivalent number of Band D dwelling, was calculated as follows:

Band	Number of Taxable Dwellings after Discount	Ratio	Band D Equivalent Dwellings
A (Disabled Reduction)	6.89	5/9	3.83
A	4,513.19	6/9	3,008.79
B	12,531.73	7/9	9,746.90
C	9,311.87	8/9	8,277.22
D	6,688.62	9/9	6,688.62
E	5,675.76	11/9	6,937.05
F	3,342.55	13/9	4,828.13
G	1,496.69	15/9	2,494.48
H	65.75	18/9	131.50
	43,633.05		**42,116.52**
Less adjustment for Non-Collection of Rates			(630.22)
Council Tax Base			**41,486.30**

L Income from Business Ratepayers

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

The total non-domestic rateable value at 31 March 2019 was £103,882,379 (31 March 2018 £103,111,343). The standard national non-domestic multiplier for the year was £0.493 (2017/18 £0.479); the national non-domestic small business multiplier for the year was £0.480 (2017/18 £0.466).

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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".

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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