TAUNTON DEANE BOROUGH COUNCIL

STATEMENT OF ACCOUNTS 2017/18

Contents

Narrative Report

STATEMENT BY THE ASSISTANT DIRECTOR – STRATEGIC FINANCE AND S151 OFFICER

This Report highlights some of the most important matters reported in the accounts and provides a management commentary on the financial performance and standing of the Council. The commentary is focussed both on the performance in the past year and on issues affecting the Council in 2018/19 and beyond.

COUNCIL'S PERFORMANCE

The Council has continued to manage its finances effectively in this 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 a mandate from Councillors in January 2016, a business case was developed and the Council agreed in partnership with West Somerset to jointly transform the way services are delivered and to submit an application to the Secretary of State seeking approval to form a new single Council to replace both Taunton Deane and West Somerset councils. This application has been submitted and has been formally approved by the Secretary of State. Final Parliamentary approval was received at the end of May and the newly formed Council will begin in April 2019. This approach has already enabled both Councils to progress with transforming services and savings being incorporated within their Medium Term Financial Plans.

The Council publishes corporate performance information, based on a 'basket' of key performance indicators, on the Council Performance page of our website.

Some highlights of how the Council has performed during 2017/18 are shown below:

Garden Town Funding – Following on from its previous success the Council has received a second award of £375,000 to make progress with vital planning work to deliver Garden Town principles.

Lottery Launch – A new Somerset West joint lottery was launched in May 2017 by Taunton Deane and West Somerset Councils. The aim is to support charities, voluntary organisation and other good causes in both areas

Planning - The joint planning policy officer team working for Taunton Deane Borough and West Somerset Councils has gained a top national award.The team was shortlisted for the Local Authority Planning Team of the Year in the national Planning Awards, hosted by Planning magazine. They successfully came away with a top Highly Commended – a huge achievement in the light of tough competition from other local authority entrants.

One Team Recognition - Taunton Deane Borough Council reached the finals in the Municipal Journal's local government awards for its achievements in "Delivering Better Outcomes." The council entered the One Team locality working initiative, first launched in Halcon, for the award and is delighted to gain national recognition. Taunton Deane Borough Council and Avon and Somerset Police were founding partners – starting with the Halcon One Team. Since it was launched, more partners have joined and the One Team has witnessed and encouraged radical change in the area. The "think differently – do differently" approach has resulted in a significant fall in crime, domestic violence, housing evictions and a vastly improved engagement of families with the children's centre services. It is widely recognised as a genuinely effective new approach to addressing issues in areas where there is traditionally high demand for public services and as a result, other One Teams have now been established in seven areas of Somerset including North Taunton, Wellington and Chard. The One Team brings local authorities and other agencies together – partners now include Avon and Somerset Police, Somerset County Council, Devon and Somerset Fire and Rescue Service, health and education services, Knightstone Housing, schools, churches and partners from the private sector.

Lyngford Park – A new 'trim trail' thought to be the first of its kind in the South West has been installed.The equipment is designed for the over-13s to encourage teenagers and adults to get fit in a fun way. The cost has been met from S106 funding.

Parks and Open Spaces Green Flags - Green Flags have been raised in five parks and open spaces in Taunton Deane.The prestigious Green Flags are the mark of a quality park or green space that boasts the highest possible environmental standards, is beautifully maintained and has excellent visitor facilities. Vivary and Victoria Parks and French Weir recreation ground in Taunton received Green Flags. Wellington Park received a Green Flag and a Green Flag Heritage Award while Swains Lane Nature Reserve in Wellington gained a Community Green Flag.

Deane House Refurbishment – Work has commenced during the year to modernise Taunton Deane Borough Council's main offices in Taunton. The project will provide accommodation for the Council and for Avon and Somerset Police following their move from the existing Police Station in Shuttern, Taunton. The upgraded building will also have the potential to accommodate other partners in the public or private sector in future.

Investment in Cemeteries and Crematorium – A major programme of works with additional funding identified to carry out the work has commenced. When complete it will deliver additional space in Wellington and St Mary's cemeteries alongside other customer focussed improvements.

Growth Programme

- **Staplegrove** - A £7.2m bid for Government funding to help unlock a new Garden Community development in Staplegrove has been successful. The funding from the Government's Housing Infrastructure Fund will deliver vital infrastructure – a road, more affordable housing and enabling a new primary school.

- **Taunton Town Centre Regeneration projects:**

    - **Firepool** – The revised outline plans for the major scheme to transform the Firepool site were approved by Taunton Deane Borough Council's Planning Committee in March. Firepool is an integral part of the wider economic regeneration plans for Taunton with the potential to create in excess of 1,700 jobs as well as providing office, hotel and residential accommodation and supporting waterfront leisure and retail outlets. The recent planning consent follows many months of detailed consultations between the lead developer and relevant statutory consultees.

    - **Coal Orchard –** During the year Members agreed to implement the outline proposals developed with the Council's consultation partner, the Mace Group. The development respects the special character of Coal Orchard with its wealth of niche, independent shops, and will bring new vitality to the area putting the River Tone at the heart of Taunton. The outline proposals include a mixed development of housing, workspace, restaurants and retail. Better access to the river is also planned along with careful consideration of flood defences. St James Street Pool will be demolished but key features will be retained in the development – for example the historic foundation stone.

Environmental

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

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

From the latest performance information published by the Somerset Waste Board the key headlines are:

Taunton Deane recycling centre recovery rates = 74% (351,623 visits were made to the two recycling centres in Taunton Deane).

Taunton Deane household recycling = 343 kilograms per household

Taunton Deane household waste (inc recycling) = 745 kilograms per household

FINANCIAL PERFORMANCE

Economic Environment

It has been well documented that Local Government has seen major cuts over several years now and 2017/18 saw us with a challenging budget gap to close and the prospect of further cuts to come with some of our grants changed or extinguished completely. We now know that Revenue Support Grant (RSG) will disappear by 2019/20 with a "negative RSG" reduction of £128,000 in our business rates tariff. Overall this will mean our Settlement Funding baseline (including RSG, Rural Services grant and Business Rates Baseline) will have reduced from £5.8m in 2013/14 to £3.0m by 2019/20 – a reduction of 49%.

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

The overall funding position and trend does not come as a surprise to us and we have acted prudently to try to protect ourselves from having to make cuts that will impact adversely on the public. We know in some cases this has been unavoidable, but we have taken steps to look at the long-term position and set aside funds for Growth and Economic Development. 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 £21k.

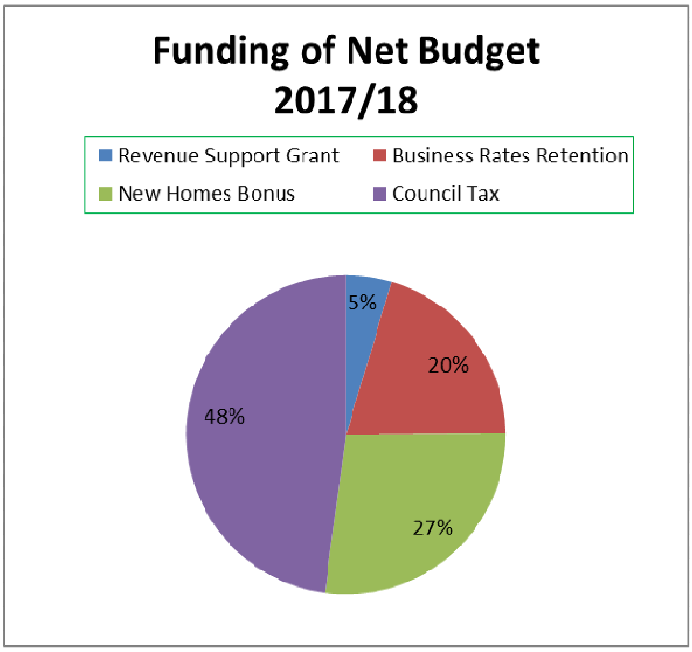
FINANCIAL OVERVIEW

General Fund Revenue Budget and Reserves

The Council's Net Budget for 2017/18 was £14.807m, representing the net cost of General Fund services funded by grants, business rates and council tax as shown in the following table and graph.

In setting the budget for 2017/18 the Council increased Council Tax by 3.5% (£5 on an equivalent Band D property). This meant that the Band D Council Tax rate became £147.88.

	£k
Formula Grant (RSG and RSDG)	683
Retained business rates	3,038
Business rates Collection Fund deficit	(38)
New Homes Bonus	4,035
Council Tax Collection Fund surplus	167
Council Tax income	6,922
Net Budget	14,807



The Council's actual net expenditure in 2017/18 was £14.940m which results in a reported net underspend of £21k (0.1% of Net Budget). The net underspend arose due to variances in several budget areas. The most significant underspends have been reported against Benefits, Council Tax, Interest income, Bereavement, and Car Parking. 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 2017/18	Budget £k	Actual £k	Variance £k	Variance %
Service Portfolios				
Corporate Management	1,579	1,722	143	1.0%
Growth & Development	2,088	2,186	98	0.7%
Housing & Communities	5,077	5,179	102	0.7%
Operations	6,109	5,726	(383)	(2.6%)
Transformation	(122)	157	279	1.9%
Net Cost of Services	**14,731**	**14,970**	**239**	
Other Operating Costs and Income				
Deane Helpline Trading Account	122	53	(69)	(0.5%)
DLO Trading Account	40	31	(9)	(0.1%)
Interest & Investment Income	(381)	(563)	(182)	(1.2%)
Transfers from Capital Adjustment Account	(3,798)	(3,798)	0	
Transfers to Earmarked Reserves	4,247	4,247	0	
Total Other Operating Costs and Income	**230**	**(30)**	**(260)**	
NET EXPENDITURE BEFORE GRANTS & TAXATION	**14,961**	**14,940**	**(21)**	**(0.1%)**
TOTAL FUNDING	**(14,961)**	**(14,961)**	**0**	
TOTAL (UNDER)/OVERSPEND FOR THE YEAR	**0**	**(21)**	**(21)**	**(0.1%)**

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

The General Fund Reserves have increased from £2.186m at the start of the year to £2.299m at 31 March 2018, this is £599k 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 2018 stands at £21.614m. This balance covers a wide variety of known planned spending commitments, including: Business Rates funding deficit; New Homes Bonus Growth Reserve and Transformation 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 £14.995m (£21.018m in 2016/17). Capital spending comprises £4.869m on General Fund schemes and £10.126m 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	1,813	Heating Systems	2,285
Regeneration Schemes	387	Kitchens and Bathrooms	1,747
Housing Enabling and Housing Standards	903	Doors and Windows	711
Play Equipment and Sports Facilities	388	Accessibility Aids and Adaptations	200
DLO Vehicles, Plant and Equipment	133	Door Entry Systems	385
DLO Depot Relocation	113	Asbestos Works	311
ICT Equipment	493	Development of Additional Dwellings	2,152
Waste Containers	95	Fascias, Soffits and Fire Safety	1,107
Community Grants	325	Roofing	184
Crematorium	90	Insulation	616
Hestercombe Gardens Loan	80	Buybacks	150
Other schemes	49	Other schemes	277
Total	**4,869**	**Total**	**10,126**

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

Sources of Capital Funding	**£k**
Revenue Funding	367
Capital Grants and Contributions	1,603
Capital Receipts	317
Borrowing	4,881
Major Repairs Reserve (HRA)	7,827
Total	**14,995**

The General Fund Capital Programme has committed approved capital spending in future years of £38.056m. The HRA Capital Programme has committed approved capital spending into future years of £17.686m.

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 £28.467m of capital reserves, providing funding for the approved capital spending referred to above. The Council has also approved borrowing of £26.975m 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 2017	31 March 2018
	£k	£k
Non-current assets	388,896	404,957
Net current assets – debtors, stock and cash less short term creditors and liabilities	10,558	21,112
Long term liabilities and provisions	(185,086)	(176,278)
Net assets	**214,368**	**249,791**
Represented by: Usable reserves	46,398	53,369
Represented by: Unusable reserves	167,970	196,422
Total Reserves	**214,368**	**249,791**

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 £26,668k for the year. The HRA has reported a net deficit of £446k for 2017/18, which is 1.7% of gross income. The deficit reduces the HRA General Reserve, and relates mainly to one-off items including a contribution to transformation costs, higher grounds maintenance costs and temporary staffing for asset management.

HRA Outturn 2017/18	Budget	Outturn	Variance	
	£k	£k	£k	%
Gross Income	(26,668)	(26,723)	(55)	(0.2%)
Service Expenditure	14,524	15,370	846	5.8%
Other Operating Costs and Income	7,900	7,719	(181)	(2.3%)
Earmarked Reserve Transfers	(323)	(467)	(144)	0%
Capital Financing and Debt Repayment	4,567	4,547	(20)	(0.4%)
Net Variance	**0**	**446**	**446**	**(1.7%)**

The Housing Revenue Account Reserve has decreased from £3.224m at the start of the year to £2.778m at 31 March 2018. 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 2018 is £6.990m, an increase of £0.143m in the year. The reserves are committed in a number of areas including: Social Housing Development Fund £2.475m to support new build and acquisition of additional homes; planned maintenance contracts re-programmed to start in 2018/19 £3.117m; provision for future non-payment of rent and charges due to welfare reform £433k, and a range of other smaller reserves.

Treasury Management

Total cash and cash equivalents plus short term investments at 31 March 2018 were £34.012m. 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 2017	31 March 2018
	£k	£k
Cash and other cash equivalents	20,189	17,818
Short term investments	5,016	16,194
Total	**25,205**	**34,012**

Pensions

The Council's share of the overall Pension Fund deficit decreased from £99.5m at 31 March 2017 to £93.7m at 31 March 2018. The deficit has decreased by 6%, 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 2017/18 this lump sum was £1.899m rising to £1.944m in 2018/19.

FINANCIAL CHALLENGES IN 2018/19

For 2018/19, the Council initially had to address a budget gap in the region of £0.4m. This has 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 being able to put extra funding in its Business Rates 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%)

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

The key areas of corporate risk at March 2018, centred on:

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

WHAT'S NEXT?

Transformation and New Council – Taunton Deane Borough Council and West Somerset Council have already agreed a partnership which has resulted in one team of staff supporting both Councils. Sitting alongside this is a plan to transform the way both Councils work to deliver great customer focussed services that at the same time will deliver significant savings. In addition, both Councils have agreed to form a single new Council that will bring further resilience, stronger leadership and improved local Governance. The proposals for a new Council were approved by the Secretary of State in March this year and were formally approved by Parliament in May to enable a start date of April 2019. The formation of the new Council has no impact upon the going concern basis upon which the financial statements have been prepared for 2017/18 and will also again have no impact in 2018/19, the final year before the new Council commences.

New Finance System and HR Payroll System – 2017/18 saw the implementation of a new Finance System and HR Payroll system following the cessation of the Southwest One contract for back office services. The new finance system will continue to be reviewed during 2018/19 to make further use of its full capabilities and with it also being potentially extended for wider implementation in the new Council.

Deane House Refurbishment – Work will continue during 2018/19 to make the building fit for purpose whilst at the same time updating it and reconfiguring the areas used by Taunton Deane staff to allow bespoke areas to be rented out to partners and outside bodies, thus making our asset work for us, delivering new income streams and providing a central hub for the local population.

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

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

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

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

EXPLANATION OF ACCOUNTING STATEMENTS

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

- The **Comprehensive Income and Expenditure Statement** (page 16) brings together details of the Council's day-to-day revenue spending and income on its services, and other gains and losses in the year.
- The **Movement in Reserves Statement** (page 17) shows the changes in the Council's financial resources over the year, by showing the movement on the different reserves held, analysed into 'usable reserves' (that can be used to fund spending) or other reserves
- The **Balance Sheet** (page 18) provides a snapshot of the Council's financial position at 31 March and sets out what is owned and what is owed.
- The **Cash Flow Statement** (page 19) summarises the flows of cash into and out of the Council during the year.
- The **Notes to the Financial Statements** (pages 20 to 77) provide supplementary information on some of the figures contained within the primary statements. They also include accounting policies, which guide the treatment of income and expenditure, and disclosures relating to the assets and liabilities of the Council.

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

FURTHER INFORMATION

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

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

The Statement of Responsibilities for the Statement of Accounts

The Council is required to:

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

The Assistant Director – Strategic Finance is required to:

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

In preparing this Statement of Accounts, the Assistant Director – Strategic Finance has:

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

The Assistant Director – Strategic Finance has also:

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

Certification of the Accounts

This Statement of Accounts gives a true and fair view of the financial position of Taunton Deane Borough Council at 31 March 2018 and its income and expenditure for the year ended 31 March 2018.

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

31 May 2018

Approval of the Accounts

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

Chair of Corporate Governance Committee

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Taunton Deane Borough Council (the ‘Authority’) for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing (HRA) Income and Expenditure Account, Statement of Movement on the HRA Balance, the Collection Fund and all notes to the financial statements, including the Accounting Policies within the notes to the Core Financial Statements. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and the Authority’s expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority’s members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Assistant Director - Strategic Finance’s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Assistant Director - Strategic Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Emphasis of Matter – Structural Change Order - Creation of the new Somerset West and Taunton Council

We draw attention to the disclosures made in note 40 to the core financial statements concerning the creation of the new Somerset West and Taunton Council. As stated in note 40, the Authority will cease to exist as an entity from 1 April 2019 and the Authority's functions, assets and liabilities will transfer to the new Somerset West and Taunton Council on 1 April 2019. Our opinion is not modified in respect of this matter.

Other information

The Assistant Director - Strategic Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages 2 to 85 and the Annual Governance Statement, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Assistant Director - Strategic Finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 11, the Authority 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 authority, that officer is the Assistant Director - Strategic Finance. The Assistant Director - Strategic Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Assistant Director - Strategic Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Assistant Director - Strategic Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Corporate Governance Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Authority

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

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate
We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Peter Barber

Peter Barber
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

2 Glass Wharf
Bristol
BS2 0EL

31 July 2018

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.

2016/17 (Restated)					2017/18		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
1,535	(641)	894	Corporate Management		2,535	(719)	1,816
4,360	(1,692)	2,668	Growth & Development		5,695	(2,995)	2,700
8,196	(447)	7,749	Housing & Communities (General Fund		6,749	(1,159)	5,590
47,739	(41,686)	6,053	Operations		42,824	(37,145)	5,679
30	(30)	0	Transformation		1,183	(245)	938
20,531	(27,563)	(7,032)	Housing Revenue Account		22,784	(26,898)	(4,114)
82,391	**(72,059)**	**10,332**	**Cost of Services**		**81,770**	**(69,161)**	**12,609**
		(1,704)	Other Operating Expenditure	**11**			(50)
		4,222	Financing and Investment Income and Expenditure	**12**			4,555
		(17,639)	Taxation and Non-Specific Grant Income	**13**			(17,001)
		(4,789)	**(Surplus) or Deficit on Provision of Services**				**113**
		(29,345)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets				(25,493)
		(87)	(Surplus) or deficit on revaluation of available for sale financial assets				95
		18,264	Remeasurement of the net defined benefit liability				(10,138)
		(11,168)	**Other Comprehensive Income and Expenditure**				**(35,536)**
		(15,957)	**Total Comprehensive Income and Expenditure**				**(35,423)**

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
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 9)	(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)**
2016/17								
Balance at 31 March 2017	**(19,021)**	**(7,569)**	**(8,275)**	**(6,176)**	**(1,581)**	**(42,622)**	**(155,789)**	**(198,411)**
Movement in Reserves during 2016/17								
Total Comprehensive Income and Expenditure	662	(5,451)	0	0	0	**(4,789)**	(11,168)	**(15,957)**
Adjustments between accounting basis and funding basis under regulations (Note 9)	(1,171)	2,949	(1,064)	1,585	(1,286)	**1,013**	(1,013)	**0**
Increase/(Decrease) in 2016/17	**(509)**	**(2,502)**	**(1,064)**	**1,585**	**(1,286)**	**(3,776)**	**(12,181)**	**(15,957)**
Balance at 31 March 2017	**(19,530)**	**(10,071)**	**(9,339)**	**(4,591)**	**(2,867)**	**(46,398)**	**(167,970)**	**(214,368)**

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 2017 £000		Notes	31 March 2018 £000
247,284	Council Dwellings		267,175
96,917	Other Land and Buildings		100,525
5,466	Vehicles, Plant and Equipment		5,157
10,676	Infrastructure Assets		10,445
7,080	Community Assets		7,107
3,215	Assets Under Construction		5,438
370,638	**Total Property, Plant and Equipment**	**15**	**395,847**
141	Heritage Assets		141
4,303	Investment Property	**16**	4,174
752	Intangible Assets		641
10,838	Long-term Investments	**17**	2,228
2,224	Long-term Debtors	**18**	1,926
388,896	**Long Term Assets**		**404,957**
5,016	Short Term Investments	**17**	16,194
1,133	Assets Held for Sale	**20**	2,258
139	Inventories		139
5,456	Short Term Debtors	**18**	8,132
20,189	Cash and Cash Equivalents	**19**	17,818
31,933	**Current Assets**		**44,541**
(4,000)	Short Term Borrowing	**17**	(3,000)
(16,325)	Short Term Creditors	**21**	(18,881)
(1,050)	Provisions	**22**	(1,548)
(21,375)	**Current Liabilities**		**(23,429)**
(85,606)	Long Term Borrowing	**17**	(82,605)
(99,480)	Other Long Term Liabilities	**37**	(93,673)
(185,086)	**Long Term Liabilities**		**(176,278)**
214,368	**Net Assets**		**249,791**
46,398	Usable Reserves	**23**	53,369
167,970	Unusable reserves	**24**	196,422
214,368	**Total Reserves**		**249,791**

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.

2016/17 £000		Notes	2017/18 £000
4,789	**Net surplus or (deficit) on the provision of services**		**(113)**
14,961	Adjustments to net surplus or deficit on the provision of services for non cash movements	**25**	17,635
(6,470)	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities	**25**	(4,656)
13,280	**Net cash flows from Operating Activities**		**12,866**
(6,771)	Investing Activities	**26**	(11,237)
(2,698)	Financing Activities	**27**	(4,000)
3,811	**Net increase or decrease in cash and cash equivalents**		**(2,371)**
16,378	Cash and cash equivalents at the beginning of the reporting period	**19**	20,189
20,189	**Cash and cash equivalents at the end of the reporting period**	**19**	**17,818**

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 2017/18 financial year and its position at the year-end on 31 March 2018. 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 2017/18 ('the Code'), supported by International Financial Reporting Standards (IFRS).

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

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

ii. Accruals of Income and Expenditure

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

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

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

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

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

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

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

iii. Cash and Cash Equivalents

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

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

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

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

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. Note 2 on page 32 provides details of the prior period adjustment for 2016/17.

v. Charges to Revenue for Non-Current Assets

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

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

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

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

vi. Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (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.

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

Remeasurements comprising:

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

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

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

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

Discretionary Benefits

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

viii. Events After The 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.

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

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

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

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

Financial Assets

Financial assets are classified into two types:

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

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

Loans and Receivables

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

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

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

Available-for-Sale Assets

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

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

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

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

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

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

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

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

x. Government Grants and Contributions

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

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

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

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

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

Community Infrastructure Levy

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

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

xi. Investment Property

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

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

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

xii. Leases

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

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

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

The Council as Lessee

Operating Leases

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

The Council as Lessor

Operating Leases

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

xiii. Overheads and Support Services

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

xiv. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

Disposals and Non-Current Assets Held for Sale

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

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

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

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

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

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

xv. Provisions 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. Prior Period Restatement

Comprehensive Income and Expenditure Statement

Expenditure on services and income relating to or derived from those services is classified in the Comprehensive Income and Expenditure Statement in accordance with the CIPFA Code of Local Authority Accounting in the UK on the basis of its reportable segments. These reportable segments are based on the authority's internal management reporting structure which changed on 1 April 2017. The comparative figures for 2016/17 have been restated onto the new structure. This note shows how the net expenditure and income has been restated.

Old reporting classifications	As reported in the Comprehensive Income and Expenditure Statement 2016/17 £000	Adjustments between old and new internal reporting classifications £000	As restated 2016/17 £000	New reporting classifications
Net Expenditure				
Community Leadership	674	(674)	0	
	0	894	894	Corporate Management
Corporate Resources	3,791	(3,791)	0	
Economic Development, Asset Management and the Arts	2,811	(2,811)	0	
Environmental Services	4,355	(4,355)	0	
General Services	737	(737)	0	
	0	2,668	2,668	Growth & Development
	0	7,749	7,749	Housing & Communities (General Fund only)
Housing Services (General Fund only)	2,690	(2,690)	0	
	0	6,053	6,053	Operations
Planning, Transportations and Communications	(2,349)	2,349	0	
Sports, Parks and Leisure	4,655	(4,655)	0	
	0	0	0	Transformation
Housing Revenue Account	(7,032)	0	(7,032)	Housing Revenue Account
Cost of Services	**10,332**	**0**	**10,332**	
Gross Expenditure				
Community Leadership	690	(690)	0	
	0	1,535	1,535	Corporate Management
Corporate Resources	38,462	(38,462)	0	
Economic Development, Asset Management and the Arts	3,355	(3,355)	0	
Environmental Services	7,000	(7,000)	0	
General Services	820	(820)	0	
	0	4,360	4,360	Growth & Development
	0	8,196	8,196	Housing & Communities (General Fund only)
Housing Services (General Fund only)	3,008	(3,008)	0	
	0	47,739	47,739	Operations
Planning, Transportations and Communications	3,393	(3,393)	0	
Sports, Parks and Leisure	5,132	(5,132)	0	
	0	30	30	Transformation
Housing Revenue Account	20,531	0	20,531	Housing Revenue Account
Cost of Services	**82,391**	**0**	**82,391**	
Gross Income				
Community Leadership	(16)	16	0	
	0	(641)	(641)	Corporate Management
Corporate Resources	(34,671)	34,671	0	
Economic Development, Asset Management and the Arts	(544)	544	0	
Environmental Services	(2,645)	2,645	0	
General Services	(83)	83	0	
	0	(1,692)	(1,692)	Growth & Development
	0	(447)	(447)	Housing & Communities (General Fund only)
Housing Services (General Fund only)	(318)	318	0	
	0	(41,686)	(41,686)	Operations
Planning, Transportations and Communications	(5,742)	5,742	0	
Sports, Parks and Leisure	(477)	477	0	
	0	(30)	(30)	Transformation
Housing Revenue Account	(27,563)	0	(27,563)	Housing Revenue Account
Cost of Services	**(72,059)**	**0**	**(72,059)**	

3. 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 2018/19 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.

4. Critical Judgements in Applying Accounting Policies

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

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

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

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

- A Business Rates provision has been made in the accounts for £1.528m. The Council has put in its best estimate of the expenditure required to settle the present obligation based on the appeals put in by ratepayers.

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

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

The items in the Council’s Balance Sheet at 31 March 2018 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 2017/18 it is 35%.	With council housing having a balance-sheet value of around £267m, each 1% change in the social housing discount factor moves the valuation up or down by £2.7m 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 2.55%, then the projected service cost would be between £5.415m to £5.697m. A similar change of 1 year in the mortality age range assumption means the projected service cost could be from £5.383m to £5.731m.

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 2018 the Council had a balance of Council Tax debtors of £5.6m, an increase of £0.8m 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 £3.1m 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 £65m this year from approximately 43,000 households, a 0.1% change in the collection rate changes the amount collected by around £62k in a full year (the Council's risk would be 11% of this amount). The Council's collection rate for 2017/18 was 99%.

6. Material Items of Income and Expense

During the year, there have been 53 sales of Council dwellings to Council tenants; this has resulted in a gain shown in the Comprehensive Income and Expenditure Statement of £1.362m.

7. Events After the Balance Sheet Date

There have been no events after the balance sheet date of 31 March 2018 that require the financial statements or notes to be adjusted for 2017/18.

8. Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the Authority (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.

2016/17 (Restated)				2017/18		
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
1,398	(504)	894	Corporate Management	1,730	86	1,816
2,278	390	2,668	Growth & Development	2,171	529	2,700
4,038	3,711	7,749	Housing & Communities (General Fund only)	2,953	2,637	5,590
4,113	1,940	6,053	Operations	4,052	1,627	5,679
(2)	2	0	Transformation	884	54	938
(13,859)	6,827	(7,032)	Housing Revenue Account	(11,330)	7,216	(4,114)
(2,034)	**12,366**	**10,332**	**Net Cost of Services**	**460**	**12,149**	**12,609**
(976)	(14,145)	(15,121)	Other Income and Expenditure	(4,540)	(7,956)	(12,496)
(3,010)	**(1,779)**	**(4,789)**	**(Surplus) or Deficit**	**(4,080)**	**4,193**	**113**
(26,590)			Opening General Fund and HRA Balance	(29,600)		
(3,010)			Less/Plus Surplus or (Deficit) on General Fund and HRA Balance in Year	(4,080)		
(29,600)			**Closing General Fund and HRA Balance at 31 March ***	**(33,680)**		

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
2017/18				
Corporate Management	7	63	16	86
Growth & Development	386	157	(14)	529
Housing & Communities (General Fund only)	2,533	97	7	2,637
Operations	1,193	459	(25)	1,627
Transformation	9	44	1	54
Housing Revenue Account	6,706	496	14	7,216
Net Cost of Services	**10,834**	**1,316**	**(1)**	**12,149**
Other Income and Expenditure from the Expenditure and Funding Analysis	**(11,524)**	**3,014**	**554**	**(7,956)**
Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(690)**	**4,330**	**553**	**4,193**
2016/17				
Corporate Management	3	(507)	0	(504)
Growth & Development	297	60	33	390
Housing & Communities (General Fund only)	3,657	36	18	3,711
Operations	1,736	135	69	1,940
Transformation	0	2	0	2
Housing Revenue Account	6,688	63	76	6,827
Net Cost of Services	**12,381**	**(211)**	**196**	**12,366**
Other Income and Expenditure from the Expenditure and Funding Analysis	**(16,494)**	**3,039**	**(690)**	**(14,145)**
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(4,113)**	**2,828**	**(494)**	**(1,779)**

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 NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Segmental Income

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

2016/17 £000		2017/18 £000
(340)	Corporate Management	(334)
(1,102)	Growth & Development	(2,270)
(447)	Housing & Communities (General Fund only)	(1,159)
(10,457)	Operations	(10,988)
(30)	Transformation	(245)
(27,563)	Housing Revenue Account	(26,844)
(39,939)	**Total Income income analysed on a segmental Basis**	**(41,840)**
(5,796)	Trading Operations	(4,607)
(45,735)	**Total Income**	**(46,447)**

9. 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:

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**

2016/17 Comparative Year	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)	2,299	529	0	0	0
Council Tax and NNDR (transfers to or from the Collection Fund)	(652)	0	0	0	0
Holiday Pay (transferred to or from the Accumulated Absences Account)	81	78	0	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	5,176	8,712	0	0	1,414
Total Adjustment to Revenue Resources	**6,904**	**9,319**	**0**	**0**	**1,414**
Adjustment between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(2,649)	(3,568)	6,217	0	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	57	(57)	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	385	0	(385)	0	0
Posting of HRA resources from revenue to the Major Repairs Reserve	0	(6,956)	0	6,956	0
Statutory provision for the repayment of debt (transfer from the capital adjustment account)	(180)	(1,007)	(253)	0	0
Capital expenditure financed from revenue balances	(3,289)	(794)	0	0	0
Total Adjustments between Revenue and Capital Resources	**(5,733)**	**(12,268)**	**5,522**	**6,956**	**0**
Adjustments to Capital Resources					
Use of the Capital Receipts reserve to finance capital expenditure	0	0	(4,711)	0	0
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	(8,541)	0
Application of capital grants to finance capital expenditure	0	0	0	0	(128)
Deferred Debtors repaid	0	0	253	0	0
Total Adjustments to Capital Resources	**0**	**0**	**(4,458)**	**(8,541)**	**(128)**
Total Adjustments 2016/17	**1,171**	**(2,949)**	**1,064**	**(1,585)**	**1,286**

10. 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 2017/18. Reserves indicated with an asterisk (*) are held for capital purposes.

Earmarked Reserves	Balance at 31/3/2016 £000	Transfers Out £000	Transfers In £000	Balance at 31/3/2017 £000	Transfers Out £000	Transfers In £000	Balance at 31/3/2018 £000
General Fund							
Asset Management - General	**289**	0	0	**289**	(289)	81	**81**
Asset Management - Leisure	**223**	(59)	33	**197**	(8)	0	**189**
Back Office Project Costs	**933**	(447)	13	**499**	(443)	0	**56**
Brewhouse Refurbishment	**61**	(29)	24	**56**	0	38	**94**
Business Rates Smoothing Reserve	**2,008**	(185)	114	**1,937**	(134)	875	**2,678**
Capital Financing Reserve *	**3,089**	(2,525)	225	**789**	(308)	195	**676**
Carry Forwards	**699**	(709)	439	**429**	(321)	1,195	**1,303**
CEO Initiatives	**78**	0	25	**103**	(13)	53	**143**
Corporate Training	**126**	(60)	0	**66**	0	64	**130**
Customer Access & Accommodation Project	**120**	(95)	1,643	**1,668**	(150)	0	**1,518**
DLO Trading Account	**365**	(244)	0	**121**	0	0	**121**
DLO Vehicle Replacement Reserve *	**341**	(25)	0	**316**	0	0	**316**
Eco Towns Projects	**304**	(66)	0	**238**	0	0	**238**
Economic Development & Growth Initiatives	**315**	0	0	**315**	0	0	**315**
Garden Village	**0**	0	512	**512**	(53)	455	**914**
Homelessness Grant	**164**	0	0	**164**	0	0	**164**
Housing Enabling	**185**	0	8	**193**	0	10	**203**
Monkton Heathfield	**689**	(132)	0	**557**	(98)	0	**459**
Neighbourhood Planning Grant	**63**	(1)	60	**122**	0	0	**122**
New Homes Bonus Reserve	**4,162**	(3,422)	3,491	**4,231**	(911)	4,295	**7,615**
Parking	**0**	0	95	**95**	0	125	**220**
Performance & Client Consultancy	**92**	(69)	40	**63**	0	40	**103**
Resources Service Costs	**369**	(318)	138	**189**	(56)	61	**194**
SAP Replacement *	**320**	0	0	**320**	(251)	0	**69**
Self Insurance Fund	**485**	0	0	**485**	0	0	**485**
Transformation Reserve	**0**	(25)	2,004	**1,979**	(356)	258	**1,881**
Travel Plan	**94**	(81)	136	**149**	0	44	**193**
Underwrite Savings	**0**	0	164	**164**	0	0	**164**
Waste Earmarked Reserve	**50**	0	84	**134**	(15)	74	**193**
Other Earmarked Reserves	**1,284**	(869)	549	**964**	(408)	221	**777**
Total General Fund	**16,908**	**(9,361)**	**9,797**	**17,344**	**(3,814)**	**8,084**	**21,614**

Earmarked Reserves	Balance at 31/3/2016 £000	Transfers Out £000	Transfers In £000	Balance at 31/3/2017 £000	Transfers Out £000	Transfers In £000	Balance at 31/3/2018 £000
Housing Revenue Account (HRA)							
HRA Capital Financing Reserves *	**103**	0	0	**103**	0	0	**103**
HRA Carry Forwards	**341**	0	456	**797**	(797)	344	**344**
HRA Community Development Fund	**206**	0	0	**206**	0	0	**206**
HRA Electrical Testing	**1,307**	0	663	**1,970**	(121)	0	**1,849**
HRA Employment & Skills	**138**	0	0	**138**	0	0	**138**
HRA One Teams	**257**	0	0	**257**	(145)	0	**112**
HRA Planned External Maintenance	**1,148**	0	0	**1,148**	(172)	0	**976**
HRA Potential Bad Debts	**434**	0	0	**434**	0	0	**434**
HRA SAP Replacement *	**105**	0	0	**105**	(105)	0	**0**
HRA Self Insurance Fund	**131**	0	42	**173**	0	0	**173**
HRA Social Housing Development Fund	**289**	0	1,000	**1,289**	0	1,185	**2,474**
HRA Transformation Reserve	**0**	0	0	**0**	(189)	189	**0**
Other HRA Earmarked Reserves	**436**	(229)	20	**227**	(46)	0	**181**
Total HRA	**4,895**	**(229)**	**2,181**	**6,847**	**(1,575)**	**1,718**	**6,990**

Included in the reserves above is the Council's Self Insurance Fund. This is a sum of £658k which is set aside for self-insurance in respect of property risks. The Stop Loss insurance policy for Council Dwellings has excesses of £50,000 per property and up to £250,000 per year.

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

- Business Rates Smoothing Reserve – to smooth the effect of successful Business Rates appeals
- 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
- HRA Electrical Testing – to provide funding towards the HRA Electrical Testing Contracts
- HRA Planned External Maintenance – to provide funding towards the HRA Planned External Maintenance Contracts
- HRA Social Housing Development Fund – to provide funding towards Social Housing Development

11. Other Operating Expenditure

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

2016/17 £000		2017/18 £000
666	Parish Council precepts	766
0	Levies	13
385	Payments to the Government Housing Capital Receipts Pool	382
61	Pension Administration Costs	59
(2,816)	(Gains)/Losses on the disposal of non-current assets	(1,270)
(1,704)	**Total**	**(50)**

12. 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.

2016/17 £000		2017/18 £000
55	Trading account (surpluses) and deficits	171
2,581	Interest payable and similar charges	2,542
2,828	Net interest on the defined liability (asset)	2,727
(458)	Interest receivable and similar income	(475)
(784)	Income and Expenditure in relation to investment properties and changes in their fair value	(410)
4,222	**Total**	**4,555**

13. 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.

2016/17 £000		2017/18 £000
(6,627)	Council tax income	(6,943)
(3,296)	Non domestic rates income and expenditure	(3,267)
(5,163)	Non-ringfenced Government grants	(4,750)
(2,553)	Capital grants and contributions	(2,041)
(17,639)	**Total**	**(17,001)**

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

14. Expenditure and Income Analysed by Nature

2016/17 £000		2017/18 £000
	Expenditure	
21,339	Employee Benefits Expenses	25,885
54,079	Other Services Expenses	49,747
12,980	Depreciation, Amortisation, Impairment and Revenue Expenditure funded from Capital under Statute	10,985
(2,816)	Gain on the Disposal of Assets	(1,270)
5,409	Interest Payments	5,269
666	Precepts and Levies	779
385	Payments to Housing Capital Receipts Pool	382
92,042	**Total Expenditure**	**91,777**
	Income	
(45,735)	Fees, Charges and Other Service Income	(46,447)
(9,923)	Income from Council Tax, Non-Domestic Rates, District Rate Income	(10,821)
(39,931)	Government Grants and Contributions	(33,501)
(784)	Income and Expenditure in relation to investment properties and changes in their fair value	(420)
(458)	Interest and Investment Income	(475)
(96,831)	**Total Income**	**(91,664)**
(4,789)	**(Surplus) or Deficit on the Provision of Services**	**113**

15. Property, Plant and Equipment

The table below details the movement on the Council's assets shown on the Balance Sheet as Property Plant and Equipment.

Movement in 2017/18	Council Dwellings £000	Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total £000
Cost or Valuation							
At 1 April 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							
At 31 March 2018	**267,175**	**100,525**	**5,157**	**10,445**	**7,107**	**5,438**	**395,847**

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

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 2017/18 are shown below.

General Fund

The Council has entered into a contract for the refurbishment of the offices at Deane House. Remaining commitments on this contract are approximately £3,628k.

The Council has also entered into a contract for improved Parking, Access and Signage. Remaining commitments on this contract are approximately £1,000k.

Similar commitments as at 31 March 2017 on other General Fund Projects were approximately £0.8m in total.

Housing Revenue Account

At 31 March 2018 the Council has entered into a number of contracts to maintain the Housing Stock in 2018/19. The major commitments are: Bathrooms £178k, Fascias and Soffits £175k, Heat Pumps £294k and Insulation £865k.

Similar commitments at 31 March 2017 on Housing Revenue Account contracts were £356k.

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 has reverted to a rolling programme of revaluations.

Valuations at 31st March 2018 have been carried out by Wilks Head & Eve, Chartered Surveyors. Valuations at 31st March 2017 were carried out by TDA, the trading name of Torbay Economic Development Company Ltd (TEDCL), who are in turn a company controlled by Torbay Council. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest prices adjusted for the condition of the asset.

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

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

- All properties have been valued as free from borrowings and encumbrances.

- The Valuer has not undertaken structural surveys of the properties, independent site investigations, tested services, nor exposed parts of the structure which were covered, unexposed or inaccessible.
- The Valuer has assumed inspection of those parts which have not been inspected would not cause the Valuer to alter his opinion of value. Nevertheless the Valuer has had regard to the age, use and general condition of the building when determining his opinion of the value.
- It is assumed that no high alumina cement, concrete or calcium chloride addition or other potentially deleterious material has been used in the construction of the properties and that none have subsequently been incorporated.
- The Valuer has assumed, unless advised to the contrary and confirmed in the Valuation report, that all properties and their values are unaffected by contamination and other environmental issues.
- The Valuer has not made enquires as to whether the properties meet statutory requirements regarding such matters as licences, fire precautions, public environmental health, health and safety at work and building regulations legislation, The Valuer has assumed that all properties comply with these various requirements.
- It is assumed that the Council will in the future maintain its property portfolio to a reasonable standard.
- Details of tenures have been derived from the tenancy schedules provided to the Valuer. For avoidance of doubt the Valuer has assumed these are accurate and up to date. The Valuer has not undertaken any inspection of title deeds. The properties have been valued on the basis that they are not subject to any unusual or onerous restrictions, encumbrances or 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	10,363	**10,363**
Valued at:				
01 April 2011	23	0	0	**23**
01 April 2012	0	2,845	0	**2,845**
01 April 2013	0	150	0	**150**
01 April 2014	0	13,647	0	**13,647**
01 April 2015	0	1,703	0	**1,703**
31 March 2017	484	43,385	0	**43,869**
31 March 2018	266,668	39,762	0	**306,430**
Total	**267,175**	**101,492**	**10,363**	**379,030**

16. Investment Property

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

2016/17 £000		2017/18 £000
413	Rental income from investment property	539
0	Gains/(losses) on the disposal of investment property	(116)
371	Net gains/(losses) from fair value adjustments	(13)
784	**Total**	**410**

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

2016/17 £000		2017/18 £000
3,808	Balance at start of the year	4,303
371	Net gains/(losses) from fair value adjustments	(13)
0	Disposals	(116)
	Transfers:	
204	(To)/from Investment Property Held for Sale	0
(80)	(To)/from Property, Plant & Equipment	0
4,303	**Balance at end of the year**	**4,174**

Fair Value Measurement of Investment Property

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

2016/17 £000	Significant Unobservable Inputs (Level 3)	2017/18 £000
1,673	Commercial Buildings	1,718
2,630	Commercial Land	2,456
4,303	**Investment Property**	**4,174**

Significant Unobservable Inputs – Level 3

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

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

Highest and Best Use of Investment Properties

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

Valuation Techniques

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

17. Financial Instruments

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

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

Financial Liabilities

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

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

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

Financial Assets

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

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

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

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

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

Financial Instruments - Balances

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

31 March 2017 Long Term £000	31 March 2017 Short Term £000	Financial Liabilities	31 March 2018 Long Term £000	31 March 2018 Short Term £000
		Loans at amortised cost:		
85,500	4,000	Principal sum borrowed	82,500	3,000
106	0	Accrued interest	106	0
85,606	**4,000**	**Total Borrowing**	**82,606**	**3,000**
		Liabilities at amortised cost:		
0	2,407	Trade payables	0	5,032
0	**2,407**	**Included in Creditors**	**0**	**5,032**
85,606	**6,407**	**Total Financial Liabilities**	**82,606**	**8,032**

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

31 March 2017 Long Term £000	31 March 2017 Short Term £000	Financial Assets	31 March 2018 Long Term £000	31 March 2018 Short Term £000
		Loans and receivables:		
3	5,000	Principal at amortised cost	3	8,000
0	16	Accrued interest	0	6
		Available-for-sale investments:		
10,835	0	Cash equivalents at amortised cost	2,225	8,188
0	0	Accrued interest	0	0
10,838	**5,016**	**Total Investments**	**2,228**	**16,194**
		Loans and receivables:		
0	(1,547)	Cash	0	(369)
0	5,800	Cash equivalents at amortised cost	0	1,000
0	1	Accrued interest	0	8
		Available-for-sale investments:		
0	15,850	Cash equivalents at amortised cost	0	17,107
0	85	Accrued interest	0	72
0	**20,189**	**Total Cash and Cash Equivalents**	**0**	**17,818**
		Loans and receivables:		
154	1,474	Trade receivables	67	2,828
2,070	349	Loans made for service purposes	1,859	285
2,224	**1,823**	**Included in Debtors**	**1,926**	**3,113**
13,062	**27,028**	**Total Financial Assets**	**4,154**	**37,125**

£2,144k of loans made for service purposes at 31 March 2018 meet the definition of capital expenditure in the Capital Finance Regulations.

Soft Loans

Soft loans are those advanced at below market rates in support of the Council’s service priorities. The Council has no material outstanding soft loans and has made no material soft loans in 2017/18.

Financial Instruments – Gains and Losses

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

Income, Expense, Gains and Losses

2016/17					2017/18			
Liabilities measured at amortised cost	Loans and Receivables	Available-for-sale Assets	Total		Liabilities measured at amortised cost	Loans and Receivables	Available-for-sale Assets	Total
£000	£000	£000	£000		£000	£000	£000	£000
2,581	0	0	**2,581**	Total interest expense in Surplus or Deficit on the Provision of Services	2,542	0	0	**2,542**
0	(139)	(319)	**(458)**	Total interest income in Surplus or Deficit on the Provision of Services	0	(142)	(333)	**(475)**
0	0	(86)	**(86)**	(Surplus)/Deficit on revaluation of Available-for-Sale Financial assets	0	0	95	**95**

Fair Values of Financial Assets

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

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

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

2016/17 Liabilities measured at amortised cost £000	2016/17 Loans and Receivables £000	2016/17 Available-for-sale Assets £000	2016/17 Total £000		2017/18 Liabilities measured at amortised cost £000	2017/18 Loans and Receivables £000	2017/18 Available-for-sale Assets £000	2017/18 Total £000
2,581	0	0	**2,581**	Total interest expense in Surplus or Deficit on the Provision of Services	2,542	0	0	**2,542**
0	(139)	(319)	**(458)**	Total interest income in Surplus or Deficit on the Provision of Services	0	(142)	(333)	**(475)**
0	0	(86)	**(86)**	(Surplus)/Deficit on revaluation of Available-for-Sale Financial assets	0	0	95	**95**

Changes in the Valuation Technique

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

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

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

31 March 2017 Carrying Amount £000	31 March 2017 Fair Value £000	Financial Liabilities	31 March 2018 Carrying Amount £000	31 March 2018 Fair Value £000
89,606	105,715	Long and Short Term Borrowing	85,606	98,318

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

31 March 2017 Carrying Amount £000	31 March 2017 Fair Value £000	Financial Assets	31 March 2018 Carrying Amount £000	31 March 2018 Fair Value £000
2,419	2,615	Long and Short Term Loans made for Service Purposes	2,144	2,264

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

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

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

31 March 2017 Other significant observable inputs (Level 2) £000	31 March 2017 Significant unobservable inputs (Level 3) £000	Recurring fair value measurements using:	31 March 2018 Other significant observable inputs (Level 2) £000	31 March 2018 Significant unobservable inputs (Level 3) £000
		Financial Liabilities		
0	105,715	Long and Short Term Borrowing	0	98,318
		Financial Assets		
0	2,615	Long and Short Term Loans made for Service Purposes	0	2,264

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

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans. In accordance with advice from the Council's Treasury advisers an alternative market rate has been used for PWLB loans rather than the rate published by PWLB.

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

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

18. Debtors

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

Current Debtors:

31 March 2017 £000		31 March 2018 £000
295	Central Government bodies	1,353
1,175	Other local authorities	2,089
36	NHS bodies	68
3,950	Other entities and individuals	4,622
5,456	**Total**	**8,132**

The above figures include Trade Receivables of £2.728m (2017 £1.474m) which are classified as Financial Instruments and included in the analysis in Note 17 above.

Long term Debtors:

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

31 March 2017 £000		31 March 2018 £000
59	Sundry Mortgages	56
11	Car/Bike Loans to Employees	10
810	Somerset CCC Loan	742
1,216	Somerset Waste Partnership Loan	999
44	COACH Loan	39
0	Hestercombe Loan	80
84	Trade Debtors	0
2,224	**Total**	**1,926**

19. Cash and Cash Equivalents

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

2016/17 £000		2017/18 £000
11	Cash held by the Council	8
(1,558)	Bank current accounts	(377)
5,801	Call Accounts	1,008
7,083	Bond Funds	16,078
8,852	Money Market Funds	1,101
20,189	**Total Cash and Cash Equivalents**	**17,818**

20. Assets Held for Sale

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

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

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

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

Current 2016/17 £000		Current 2017/18 £000
698	**Balance outstanding at start of the year**	**1,133**
	Assets newly classified as held for sale:	
882	Property, Plant and Equipment	1,956
	Assets declassified as held for sale:	
(447)	Assets sold	(831)
1,133	**Balance outstanding at year end**	**2,258**

21. Creditors

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

31 March 2017 £000		31 March 2018 £000
1,047	Central Government bodies	3,035
3,883	Other local authorities	1,261
11,395	Other entities and individuals	14,585
16,325	**Total**	**18,881**

The above figures include Trade Payables of £5.032m (2017 £2.407m) which are classified as Financial Instruments and included in the analysis in Note 17 above.

22. Provisions

2016/17 NNDR Appeals £000	2016/17 Other Provisions £000	2016/17 Total £000		2017/18 NNDR Appeals £000	2017/18 Other Provisions £000	2017/18 Total £000
1,920	**160**	**2,080**	**Balance at start of year**	**934**	**116**	**1,050**
0	0	**0**	Additional provisions made in year	722	0	**722**
(749)	(44)	**(793)**	Amounts used in year	(128)	(3)	**(131)**
(237)	0	**(237)**	Unused amounts reversed in year		(93)	**(93)**
934	**116**	**1,050**	**Balance at year-end**	**1,528**	**20**	**1,548**

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 £3.820m in respect of the Business Rates Collection Fund. There has not been any significant increase in the number of appeals during 2017/18 but the Council continues to take a prudent approach to evaluating the risk.

Other Provisions

The balance of £19k is in respect of the Deposit Protection Scheme run by the Council to enable tenants to obtain private sector rented accommodation.

23. Usable Reserves

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

31 March 2017 £000		31 March 2018 £000
2,186	General Fund Balance	2,299
17,344	General Fund Earmarked Reserves	21,614
3,244	Housing Revenue Account Balance	2,778
6,846	Housing Revenue Account Earmarked Reserves	6,990
9,339	Capital Receipts Reserve	13,110
4,591	Major Repairs Reserve	3,273
2,867	Capital Grants Unapplied Account	3,305
46,417	**Total Usable Reserves**	**53,369**

24. Unusable Reserves

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

2016/17 £000		2017/18 £000
74,612	Revaluation Reserve	99,573
193,135	Capital Adjustment Account	191,469
(99,480)	Pensions Reserve	(93,673)
68	Collection Fund Adjustment Account	(474)
(484)	Accumulated Absences Account	(497)
119	Available-for-sale Financial Instruments Reserve	24
167,970	**Total Unusable Reserves**	**196,422**

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:

2016/17 £000			2017/18 £000
46,294	**Balance as at 1 April**		**74,612**
31,269	Upward revaluation of assets	27,884	
(1,924)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(2,391)	
29,345	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		25,493
(368)	Difference between fair value depreciation and historical cost	(420)	
(659)	Accumulated gains on assets sold or scrapped	(112)	
(1,027)	Amount written off to the Capital Adjustment Account		(532)
74,612	**Balance as at 31 March**		**99,573**

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 9 – 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.

2016/17 £000		2017/18 £000	
188,760	**Balance as at 1 April**		**193,135**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
(8,331)	Charges for Depreciation and impairment of non current assets	(8,377)	
(2,965)	Revaluation losses on Property, Plant and Equipment	(971)	
(190)	Amortisation of intangible assets	(250)	
(1,984)	Revenue expenditure funded from capital under statute	(1,387)	
(3,344)	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,315)	
(16,814)			(14,300)
1,029	Adjusting amounts written out of the Revaluation Reserve		532
(15,785)	**Net written out amount of the cost of non current assets consumed in the year**		**(13,768)**
	Capital financing applied in the year:		
4,711	Use of the Capital Receipts Reserve to finance new capital	317	
8,541	Use of Major Repairs Reserve to finance new capital expenditure	7,827	
1,141	Capital grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital	1,337	
128	Application of grants to capital financing from the Capital Grants Unapplied Account	266	
1,439	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	2,489	
4,083	Capital expenditure charged against the General Fund and HRA balances	367	
20,043			12,603
371	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(13)
(254)	Deferred Debtors repaid		(488)
193,135	**Balance as at 31 March**		**191,469**

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:

2016/17 £000		2017/18 £000
(78,388)	**Balance as at 1 April**	**(99,480)**
(18,264)	Remeasurement of the net defined benefit liability/(assets)	10,138
(6,019)	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	(8,624)
3,191	Employer's pension contributions and direct payments to pensioners payable in the year	4,293
(99,480)	**Balance as at 31 March**	**(93,673)**

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.

2016/17 Council Tax £000	2016/17 Business Rates £000	2016/17 Total £000		2017/18 Council Tax £000	2017/18 Business Rates £000	2017/18 Total £000
135	**(719)**	**(584)**	**Balance as at 1 April**	**265**	**(197)**	**68**
130	522	652	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	(101)	(441)	(542)
265	**(197)**	**68**	**Balance as at 31 March**	**164**	**(638)**	**(474)**

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.

2016/17 £000		2017/18	£000
(326)	**Balance as at 1st April**		**(484)**
232	Settlement or cancellation of accrual made at the end of the preceding year	484	
(484)	Amounts accrued at the end of the current year	(496)	
(158)	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.		(12)
(484)	**Balance as at 31st March**		**(496)**

Available-for-Sale Financial Instruments Reserve

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

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

2016/17 £000		2017/18 £000
33	**Balance as at 1st April**	**119**
86	Upward revaluation of investments	0
0	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(95)
119	**Balance as at 31st March**	**24**

25. Cash Flow Statement – Operating Activities

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

2016/17 £000		2017/18 £000
(438)	Interest Received	(491)
2,582	Interest Paid	2,543
2,144		**2,052**

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

2016/17 £000		2017/18 £000
8,330	Depreciation	8,377
189	Amortisation	250
2,966	Impairment and downward valuations	2,723
(371)	Movement in Fair Value of Investment Property	13
172	Increase/(Decrease) in impairment for Bad Debts	297
(5,380)	(Decrease)/Increase in creditors	2,556
3,892	(Increase)/Decrease in debtors	(2,973)
21	(Increase/Decrease) in Inventory	0
3,344	Carrying Value of Non Current Assets Disposed	1,563
2,828	Movement in Pension Liability	4,331
(1,030)	Increase/(Decrease in Provisions)	498
14,961		**17,635**

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

2016/17 £000		2017/18 £000
(6,470)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(4,656)
(6,470)		**(4,656)**

26. Cash Flow Statement – Investing Activities

2016/17 £000		2017/18 £000
(17,416)	Purchase of Property, Plant and Equipment, Investment Property and intangible assets	(13,528)
(14,016)	Purchase of Short Term & Long Term Investments	(17,006)
(1,617)	Other payments for investing activities	(80)
6,470	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	4,656
19,341	Proceeds from short-term and long-term investments	14,343
467	Other receipts from investing activities	378
(6,771)	**Net cash flows from investing activities**	**(11,237)**

27. Cash Flow Statement – Financing Activities

2016/17 £000		2017/18 £000
(2,698)	Repayment of Short Term and Long Term Borrowing	(4,000)
(2,698)	**Net cash flows from financing activities**	**(4,000)**

28. 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:

		2015/16		2016/17		2017/18	
		£'000	£'000	£'000	£'000	£'000	£'000
Building Maintenance DLO	Turnover	(4,941)		(5,303)		0	
	Expenditure	5,014		5,258		0	
	(Surplus)/Deficit		**73**		**(45)**		**0**
Grounds Maintenance DLO	Turnover	(3,499)		(3,241)		(3,456)	
	Expenditure	3,460		3,281		3,487	
	(Surplus)/Deficit		**(39)**		**40**		**31**
Net DLO (Surplus)/Deficit			**34**		**(5)**		**31**
Deane Helpline	Turnover	(1,024)		(1,030)		(1,155)	
	Expenditure	1,091		1,090		1,295	
	(Surplus)/Deficit		**67**		**60**		**140**
Net Trading (Surplus)/Deficit			**101**		**55**		**171**

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

29. Members' Allowances

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

2016/17 £000		2017/18 £000
312	Allowances	313
17	Expenses	15
329	**Allowances paid in the year**	**328**

30. Officers' Remuneration

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

Post holder information (Post Title)		Salary, Fees and Allowances	Expenses Allowances	Total Remuneration excluding pension contributions	Pension Contributions	Total Remuneration	Annualised Salary
		£	£	£	£	£	£
Chief Executive	**2017/18**	119,126	0	**119,126**	14,311	**133,437**	112,211
	2016/17	113,131	3,333	116,464	20,442	136,906	113,131
Director for Operations & Deputy Chief Executive	**2017/18**	88,443	0	**88,443**	10,115	**98,558**	88,443
	2016/17	97,442	0	97,442	12,382	109,824	89,598
Director for Growth & Development	**2017/18**	83,247	0	**83,247**	10,318	**93,565**	83,247
	2016/17	84,447	1,481	85,928	11,126	97,054	82,416
Director for Housing & Communities	**2017/18**	83,240	0	**83,240**	10,361	**93,601**	83,240
	2016/17	82,416	0	82,416	11,126	93,542	82,416
Assistant Chief Executive & Monitoring Officer	**2017/18**	67,427	0	**67,427**	7,992	**75,419**	66,072
	2016/17	65,418	0	65,418	8,439	73,857	65,418
Assistant Director - Housing & Community Development	**2017/18**	62,430	0	**62,430**	7,419	**69,849**	62,430
	2016/17	61,812	0	61,812	8,345	70,157	61,812
Assistant Director - Planning & Environment	**2017/18**	62,430	0	**62,430**	7,489	**69,919**	62,430
	2016/17	63,843	677	64,520	8,345	72,865	61,812
Assistant Director - Corporate Services	**2017/18**	62,430	0	**62,430**	7,489	**69,919**	62,430
	2016/17	63,843	627	64,470	8,345	72,815	61,812
Assistant Director - Operational Delivery	**2017/18**	62,490	0	**62,490**	7,479	**69,969**	62,430
	2016/17	63,231	0	63,231	8,369	71,600	61,812
Assistant Director - Business Development	**2017/18**	62,430	0	**62,430**	7,489	**69,919**	62,430
	2016/17	61,812	0	61,812	8,345	70,157	61,812
Assistant Director - Strategic Finance	**2017/18**	67,013	0	**67,013**	8,122	**75,135**	62,430
	2016/17	61,812	0	61,812	8,345	70,157	61,812
Assistant Director - Energy & Infrastructure	**2017/18**	66,748	0	**66,748**	8,066	**74,814**	62,430
	2016/17	64,543	0	64,543	8,402	72,945	61,812
Assistant Director - Resources & Support	**2017/18**	69,683	0	**69,683**	8,490	**78,173**	69,683
	2016/17	22,998	0	22,998	3,105	26,103	68,993

Notes:

1 The above posts were shared with West Somerset District Council throughout the two years 2016/17 and 2017/18.
2 The split of remuneration for the Director Housing & Communities is 90:10 to Taunton Deane: West Somerset.
3 The split of remuneration for the Chief Executive, Assistant Chief Executive & Monitoring Officer and Assistant Director – Strategic Finance is 50:50 to Taunton Deane: West Somerset.
4 The Assistant Director – Resources & Support was appointed on 1 December 2016.

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:

2016/17 Number of employees Total	Remuneration Band	2017/18 Number of employees Total
3	£50,000 - £54,999	5
0	£60,000 - £64,999	0

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

Exit Package Cost Band (including special payments)	Number Of Other Departures Agreed		Number Of Compulsory Redundancies		Total Number Of Exit Packages By Cost Band		Total Cost Of Exit Packages In Each Band (£)	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
£0 - £20,000	3	0	0	0	3	0	23,700	0
Total included in the CIES	**3**	**0**	**0**	**0**	**3**	**0**	**23,700**	**0**

31. External Audit Costs

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

2016/17 £000		2017/18 £000
51	Fees payable to external auditors with regards to external audit services carried out by the appointed auditor for the year	51
8	Fees paid to external auditors for the certification of grant claims and returns for the year	10
59	**Total**	**61**

32. Grant Income

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

2016/17 £000		2017/187 £000
	Credited to Taxation and Non Specific Grant Income	
1,280	Revenue Support Grant	645
3,883	New Homes Bonus	4,035
0	Other Non Specific Government Grants	70
2,553	Capital Grants	1,520
7,716	**Total**	**6,270**
	Credited to Services	
17,488	Rent Allowances	14,986
12,559	Rent Rebates	10,972
630	Housing Benefit Admin	424
1,537	Other Grants and Contributions	849
32,214	**Total**	**27,231**
39,930		**33,501**

33. Related Parties

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

UK Central Government

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

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

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2017/18 is shown in Note 29.

During 2017/18, works and services to the value of £57,729 were commissioned from organisations in which two Members had an interest. Contracts were entered into in full compliance with the Council's standing orders. In addition, the Council paid grants totalling £178,552 to voluntary organisations in which three 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 2017/18 works and services to the value of £51,796 were commissioned from organisations in which one senior officer had an interest. Contracts were entered into in full compliance with the Council's standing orders.

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

34. Capital Expenditure and Capital Financing

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

The CFR is analysed as follows:

2016/17 £000		2017/18 £000
110,679	**Opening Capital Financing Requirement**	**111,654**
	Capital Investment	
17,117	Property, Plant and Equipment	13,389
1,617	Loans made for service provision	80
300	Intangible Assets	139
1,984	Revenue Expenditure Funded from Capital under Statute	1,387
21,018		**14,995**
	Sources of finance	
(4,711)	Capital receipts	(317)
(1,269)	Government Grants and Other Contributions	(1,603)
(8,541)	Major Repairs Allowance	(7,827)
	Sums set aside from revenue	
(4,083)	Direct revenue contributions	(367)
(1,439)	Minimum Revenue Provision (MRP)	(2,489)
(20,043)		**(12,603)**
111,654	**Closing Capital Financing Requirement**	**114,046**
	Explanation of movements in the Capital Financing Requirement in year:	
975	Increase / (Decrease) in underlying need to borrowing (unsupported by Government financial assistance)	2,392
975	**Increase/(decrease) in Capital Financing Requirement**	**2,392**

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.

2016/17 £000		2017/18 £000
619	Not later than one year	582
2,274	Later than one year and not later than five years	2,139
2,435	Later than five years and not later than ten years	2,291
5,328	**Total payments due in future years**	**5,012**

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

36. Termination Benefits

As part of the Joint Management and Shared Service (JMASS) partnership with West Somerset the Councils jointly terminated the contracts of 0 employees in 2017/18, compared to 3 in 2016/17. See note 29 for the number of exit packages and total cost per band.

37. Defined Benefit Pensions Schemes

Participation in Pension Schemes

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

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

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

Transactions relating to post-employment benefits

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

2016/17 £000		2017/18 £000
	Comprehensive Income and Expenditure Statement (CIES)	
	Cost of Services	
3,119	Service costs	5,838
72	Administration expenses	59
	Financing and Investment Income and Expenditure:	
2,828	Net interest on the defined liability	2,727
6,019	**Total Post Employment Benefits charged to the Surplus on the Provision of Services**	**8,624**
	Remeasurement of the net defined liability comprising:	
(18,113)	Return on assets (excluding the amount included in the net interest expense)	(2,176)
40,435	Change in financial assumptions	(7,962)
(2,796)	Change in demographic assumptions	0
(2,041)	Experience (gain) / loss on defined benefit obligation	0
779	Other actuarial (gains) / losses on assets	0
18,264	**Total Post Employment Benefit Charged to the Income and Expenditure Statement**	**(10,138)**
	Movement in Reserves Statement	
(6,019)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	(8,624)
	Actual amount charged against the General Fund balance for pensions in the year:	
3,191	Employers contributions payable to scheme	4,293

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:

2016/17 £000	Local Government Pension Scheme	2017/18 £000
(200,912)	Present value of funded obligation	(200,050)
103,902	Fair value of plan assets	108,717
(97,010)	Deficit	(91,333)
(2,470)	Present value of unfunded obligation	(2,340)
(99,480)	**Net Liability**	**(93,673)**

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

2016/17 £000	Funded liabilities: Local Government Pension Scheme	2017/18 £000
(165,636)	**Opening balances as at 1 April**	**(203,382)**
(3,645)	Current service cost	(5,817)
(5,978)	Interest cost	(5,633)
(40,435)	Change in financial assumptions	7,962
2,796	Change in demographic assumptions	0
2,041	Experience loss / (gain) on defined benefit obligation	0
(885)	Contributions by scheme participants	(988)
6,079	Benefits paid	5,331
(52)	Past service costs, including curtailments	(21)
2,191	Settlements	0
142	Unfunded Pension Payments	158
(203,382)	**Closing balance as at 31 March**	**(202,390)**

Reconciliation of fair value of the scheme assets:

2016/17 £000	Local Government Pension Scheme	2017/18 £000
87,248	**Opening balance as at 1st April**	**103,902**
3,150	Interest on assets	2,906
18,113	Return on assets less interest	2,176
(779)	Other actuarial gains/(losses)	0
(72)	Administration expenses	(59)
3,191	Employer contributions	4,293
885	Contributions by scheme participants	988
(6,221)	Benefits paid	(5,489)
(1,613)	Settlements	0
103,902	**Closing balance as at 31st March**	**108,717**

Local Government Pension Scheme assets comprised:

2016/17 £000	Fair Value of Scheme Assets	2017/18 £000
74,076	Equities	77,609
6,368	Gilts	5,883
10,190	Other bonds	10,183
9,167	Property	10,321
4,101	Cash	4,721
103,902	**Total**	**108,717**

From the information we have received from the Administering Authority we understand that of the total Fund at 31 March 2018 approximately £9.350m (2017 £7.897m) of Equities and £10.328m (2017 £9.167m) 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.

2016/17	Local Government Pension Scheme	2017/18
	Long-term expected rates of return on assets in the scheme:	
	Mortality assumptions:	
	Longevity at 65 for current pensioners	
23.9	- Men	24.0
25.0	- Women	25.2
	Longevity at 65 for future pensioners	
26.1	- Men	26.2
27.4	- Women	27.5
3.6%	Rate of inflation - RPI	3.30%
2.7%	Rate of inflation - CPI	2.30%
4.2%	Rate of increase in salaries	3.80%
2.7%	Rate of increase in pensions	2.30%
2.8%	Rate for discounting scheme liabilities	2.55%
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)	(7,735)	7,441
Rate of increase in salaries (increase or decrease by 0.1%)	(344)	341
Rate of increase in pensions (increase or decrease by 0.1%)	(3,560)	3,492
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	3,820	(3,898)

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 £93.673m 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 2019 is £4.177m.

38. Contingent Liabilities

Tone Leisure

During 2004/05, the Council created a Leisure Trust, Tone Leisure, to manage its leisure services on its behalf. During the creation of the trust, Tone Leisure became an admitted body into the Somerset County Council Pension Fund and the Council provided a guarantee that it would meet the employers' contributions due to the Pension Fund if the Trust were to fail to make the necessary payments. In addition if there were to be a deficit on the Pension Fund - attributable to Tone Leisure's employee pension entitlements at the date of termination of the Council's relationship with the Trust - then the Council would need to make good that deficit by increasing its own contributions to the Fund on an agreed basis.

In January 2017 Tone Leisure formally merged with Greenwich Leisure Limited (GLL) and its employees transferred to GLL in accordance with the Transfer of Undertakings (Protection of Employment) rules. The Council remains liable for the deficit on the Pension Fund attributable to GLL at 31 March 2018 only if GLL can no longer be considered a going concern. The Council has assessed GLL as a going concern so the potential liability of £4.9m has not been included within the Council's main financial statements.

Business Rates Retention

The total provision for current and backdated appeals stands at £3.820m (2016/17 £2.336m), of this the Council's share is £1.528m (2016/17 £0.934m). There could be future appeals in respect of rates billed to date but there is no reasonable basis of estimating what that total could be.

South West Audit Partnership Limited

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

Planning Guarantee

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

Business Rates Appeal by the NHS

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

39. Nature and Extent of Risks Arising From Financial Instruments

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

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

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

The main risks covered are:

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

Credit Risk: Investments

The Council manages credit risk by ensuring that investments are placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, and other local authorities without credit ratings. Recognising that credit ratings are imperfect 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 2018 that this was likely to crystallise.

The Council does not hold collateral against any investments.

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

2016/17 Long Term £000	2016/17 Short Term £000	Credit Rating	2017/18 Long Term £000	2017/18 Short Term £000
10,835	15,850	AAA	2,225	25,295
0	3,000	AA	0	0
0	2,000	AA-	0	3,000
0	2,000	A+	0	2,000
0	2,800	A	0	0
0	1,000	Unrated	0	4,000
10,835	**26,650**	**Total**	**2,225**	**34,295**

Trade Receivables

During 2017/18 the Council continued to carefully review historic debtor balances and has written off old irrecoverable debts. The Council has a policy of exploring cost effective ways to ensure debts are fully recovered and thus minimise exposure to credit risk.

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

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

31 March 2017 Trade Debtors £000		31 March 2018 Trade Debtors £000	31 March 2018 Impairment £000	31 March 2018 Trade Debtors Not Impaired £000
951	Less than three months	2,209	0	2,209
49	Over three months up to six months	358	20	338
58	Over six months up to one year	101	21	80
152	More than one year	160	83	77
1,210		**2,828**	**124**	**2,704**

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:

2016/17 Long Term £000	2016/17 Short Term £000	Credit Rating	2017/18 Long Term £000	2017/18 Short Term £000
		Loans by Type		
82,500	4,000	Public Works Loan Board	79,500	3,000
3,000	0	Other Financial Institutions	3,000	0
85,500	**4,000**		**82,500**	**3,000**
		Loans by Maturity		
0	4,000	Less than 1 year	0	3,000
3,000	0	Over 1 but not over 2 years	3,500	0
17,000	0	Over 2 but not over 5 years	18,500	0
41,000	0	Over 5 but not over 10 years	43,000	0
17,500	0	Over 10 but not over 15 years	10,500	0
7,000	0	More than 20 years	7,000	0
85,500	**4,000**		**82,500**	**3,000**

Market Risk

Interest Rate Risk

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

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

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

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

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

2016/17 £000		2017/18 £000
50	Increase in interest payable on variable rate borrowings	50
(216)	Increase in interest receivable on variable rate investments	(171)
(166)	**Impact on Surplus or Deficit on the Provision of Services**	**(121)**
7,627	Decrease in fair value of fixed rate borrowings	7,875
166	Decrease in fair value of fixed rate available-for-sale investments	64

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.

40. Structural Change Order – Creation of the new Somerset West and Taunton Council

Legislation has now been passed through both Houses of Parliament for the combination of Taunton Deane Borough Council and West Somerset Council to create a new council. Both Councils will cease to exist as an entity from the 1st April 2019 and their functions, assets and liabilities will transfer to the new Somerset West and Taunton Council on 1 April 2019.

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.

2016/17			2017/18	
£000	**£000**		**£000**	**£000**
		Income		
	(24,682)	Dwelling Rents		(24,398)
	(590)	Non Dwelling Rents		(626)
	(1,311)	Charges for Services/Facilities		(1,271)
	(433)	Contributions Towards Expenditure		(428)
	(27,016)			(26,723)
		Expenditure		
5,988		Repairs and Maintenance	7,091	
6,600		Supervision and Management	8,342	
366		Rents, Rates, Taxes and Other Charges	360	
6,688		Depreciation and Impairment of Fixed Assets	6,534	
135		Movement in the Allowance for Bad Debts	57	
	19,777			22,384
	(7,239)	**Net Income of HRA Services as included in the Comprehensive Income and Expenditure Statement**		**(4,339)**
	207	HRA Service Share of Corporate and Democratic Core		225
	(7,032)	**Net Income of HRA Services**		**(4,114)**
		HRA Share of Operating and Expenditure included in the Comprehensive Income and Expenditure Statement:		
	0	Pension Administration Costs		19
	(1,487)	(Gain) or Loss on Sale of HRA Fixed Assets		(1,360)
	2,753	Interest Payable and Similar Charges		2,715
	(132)	Interest and Investment Income		(63)
	447	Pension Interest Cost		888
	(5,451)	**Surplus for the year on HRA Services**		**(1,915)**

Statement of Movement on the HRA Balance

2016/17 £000	2016/17 £000		2017/18 £000	2017/18 £000
	2,675	**Balance on the HRA at the end of the previous year**		**3,224**
5,451		Surplus or the year on the HRA Income and Expenditure Account	1,915	
(2,950)		Adjustments between accounting basis and funding under Statute (see analysis in Notes to the Supplementary Statements)	(2,217)	
2,501		Reserves	(302)	
(1,952)		Transfers (to) or from Reserves	(144)	
	549	Increase or (Decrease) in the Year on the HRA		(446)
	3,224	**Balance on the HRA at the end of the current year**		**2,778**

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.

2016/17 Business Rates £000	2016/17 Council Tax £000	2016/17 Total £000		2017/18 Business Rates £000	2017/18 Council Tax £000	2017/18 Total £000
			Income			
0	(61,786)	**(61,786)**	Council Tax Receivable	0	(64,825)	**(64,825)**
(40,410)	0	**(40,410)**	Business Rates Receivable	(40,160)	0	**(40,160)**
251	0	**251**	Transitional Protection Payments	2,414	0	**2,414**
			Apportionment of Previous Year's Surplus/(Deficit)			
(239)	0	**(239)**	Central Government	(48)	0	**(48)**
(43)	880	**837**	Somerset County Council	(9)	1,114	**1,105**
0	150	**150**	Police and Crime Commissioner for Avon and Somerset	0	184	**184**
(5)	67	**62**	Devon & Somerset Fire & Rescue Authority	(1)	82	**81**
(192)	131	**(61)**	Taunton Deane Borough Council	(38)	167	**129**
(40,638)	**(60,558)**	**(101,196)**	**Total Income**	**(37,842)**	**(63,278)**	**(101,120)**
			Expenditure			
			Demands and Shares			
20,414	0	**20,414**	Central Government	18,522	0	**18,522**
3,675	42,263	**45,938**	Somerset County Council	3,334	45,940	**49,274**
0	6,965	**6,965**	Police and Crime Commissioner for Avon and Somerset	0	7,426	**7,426**
408	3,125	**3,533**	Devon & Somerset Fire & Rescue Authority	370	3,331	**3,701**
16,331	6,334	**22,665**	Taunton Deane Borough Council	14,818	6,877	**21,695**
165	0	**165**	Costs of Collection	169	0	**169**
(2,464)	0	**(2,464)**	Increase/(Decrease) in Provision for Appeals	1,485	0	**1,485**
164	244	**408**	Write offs of uncollectable amounts	0	0	**0**
328	437	**765**	Increase/(Decrease) in Allowance for Impairment of Bad and Doubtful Debts	390	616	**1,006**
9	0	**9**	Interest on Refunds	7	0	**7**
232	0	**232**	Disregarded Amounts	356		**356**
39,262	**59,368**	**98,630**		**39,451**	**64,190**	**103,641**
(1,376)	**(1,190)**	**(2,566)**	**(Surplus)/Deficit for the year**	**1,609**	**912**	**2,521**
1,870	(1,268)	602	(Surplus)/Deficit Balance Brought Forward	494	(2,458)	(1,964)
494	**(2,458)**	**(1,964)**	**(Surplus)/Deficit Balance Carried Forward**	**2,103**	**(1,546)**	**557**
			Attributable to:			
247	0	**247**	Central Government	1,052	0	**1,052**
44	(1,773)	**(1,729)**	Somerset County Council	189	(1,120)	**(931)**
0	(290)	**(290)**	Police and Crime Commissioner for Avon and Somerset	0	(182)	**(182)**
5	(130)	**(125)**	Devon and Somerset Fire and Rescue Authority	21	(80)	**(59)**
198	(265)	**(67)**	Taunton Deane Borough Council	841	(164)	**677**
494	**(2,458)**	**(1,964)**		**2,103**	**(1,546)**	**557**

Notes to the Supplementary Statements

Housing Revenue Account

A Housing Stock

The Council was responsible for managing close to 5,700 dwellings during 2017/18. The stock at 31 March was made up as follows:

2016/17 £000		2017/18 £000
2,873	Houses	2,831
848	Bungalows	846
2,053	Flats and Maisonettes	2,045
5,774		**5,722**
1	Shared Equity	1
5,775		**5,723**

The change in stock was made up of 53 sales and the buyback of 1 property.

B Value of Assets

The balance sheet value of HRA assets at 31 March 2017 and 31 March 2018 is shown below.

Movement in 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)**
Derecognition - Other	0	0	0	0	**0**	0	0	**0**
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			**6,088**	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**

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

C Value of Dwellings at 31 March 2018

The open market value of dwellings within the HRA at 31 March 2018 is £768.250m compared with the balance sheet value of £267.175m. The difference of £501.075m 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 2017 £000		31 March 2018 £000
715	Rent Arrears	**897**
(251)	Provision for Bad Debts	(342)
464	**Anticipated Collectable Arrears**	**555**
1.9%	Arrears as % of Gross Rent Income	2.20%

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 1.14% (0.99% in 2016/17) of available properties were vacant. Average weekly rents were £81.61, a decrease of £0.47 (-0.58%) 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.

2016/17 £000		2017/18 £000
6,176	**Balance as at 1 April**	**4,591**
6,956	Transfer from Revenue to Major Repairs Reserve	6,509
(8,541)	Financing of HRA Capital Expenditure	(7,827)
4,591	**Balance as at 31 March**	**3,273**

H Total Capital Expenditure and Receipts

2016/17 £000		2017/18 £000
	HRA Capital Expenditure	
10,757	Dwellings	10,068
0	Intangible Assets	0
5	Vehicles, Plant and Equipment	57
0	Revenue Expenditure funded from Capital under Statute	0
10,762		**10,125**
	Financed By	
684	Capital Receipts	0
0	Government Grants and Contributions	0
744	Contribution from Revenue	0
8,541	Major Repairs Reserve	7,827
793	Borrowing	2,298
10,762		**10,125**

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

2016/17 £000		2017/18 £000
3,568	Dwellings	3,978
(57)	Administrative Cost of Sales	(69)
3,511		**3,909**

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 £496,586 (2016/17 £71,502) included within management expenditure, which reflects the Current Service Costs of the Pension Scheme, in accordance with IAS19. These costs are currently notional and do not represent real cash outflows. Within the Housing Revenue Account these costs are negated by a contribution from the pension reserve.

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.

2016/17 £000		2017/18 £000
76	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statute requirements	17
(1,487)	Reversal of (gain) or loss on sale of HRA non-current assets	(1,360)
(794)	Capital expenditure charged against revenue	(105)
530	HRA share of contributions to or from the Pensions Reserve	1,404
(6,956)	Transfer to/(from) the Major Repairs Reserve	(6,509)
5,681	Transfer to/(from) the Capital Adjustment Account	4,336
(2,950)	Balance on the HRA at the end of the current year	**(2,217)**

Collection Fund

K Council Tax

The Council's tax base for 2017/18, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply), converted to an equivalent number of Band D dwelling, was calculated as follows:

Band	Number of Taxable Dwellings after Discount	Ratio	Band D Equivalent Dwellings
A (Disabled Reduction)	7.59	5/9	4.22
A	4,448.33	6/9	2,965.55
B	12,332.16	7/9	9,591.68
C	9,134.54	8/9	8,119.59
D	6,608.60	9/9	6,608.60
E	5,568.81	11/9	6,806.33
F	3,290.74	13/9	4,753.30
G	1,491.49	15/9	2,485.82
H	64.25	18/9	128.50
	42,946.51		**41,463.59**
Less adjustment for Non-Collection of Rates			(620.43)
Council Tax Base			**40,843.16**

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 2018 was £103,111,343 (31 March 2017 £103,428,427). The standard national non-domestic multiplier for the year was £0.479 (2016/17 £0.497); the national non-domestic small business multiplier for the year was £0.466 (2016/17 £0.484).

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Revenue Support Grant (RSG)
This is the grant which the government pays to the Council to bridge the gap between income raised by the council tax and NDR and the total assessment of the authority's need to spend (as measured by its

standard spending assessment). The payment of RSG attempts to ensure that differences in spending needs and resources between authorities are equalised, in order to permit each authority to support a standard level of spending.

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

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

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

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