West Somerset District Council Audited Statement of Accounts 2016/17

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Narrative Statement

STATEMENT BY THE ASSISTANT DIRECTOR – STRATEGIC FINANCE AND S151 OFFICER

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

COUNCIL'S PERFORMANCE

This has been another challenging year of funding cuts and difficult choices. We have, however, continued to deliver the savings from the One Team of officers across West Somerset and Taunton Deane Councils and have found savings through joint working and efficient use of our resources. In making decisions around budget savings we have sought to minimise the impact on local services. We have also recognised that in order to secure sustainable and affordable local services we need to go further and deliver greater efficiency through transforming the way we deliver services. This will focus on improving customer access to services whilst at the same time reducing the costs of providing these services. For the 2016/17 budget we sought to maintain staffing levels to both maintain service delivery and provide the necessary capacity to progress with preparation for our transformation priority.

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

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

Energy Infrastructure programme

- Community Impact Mitigation (CIM) Fund – West Somerset Council administer and make decisions on the release of the CIM Fund which was secured to help mitigate the impact of the Hinkley Point C development. The CIM Fund was launched in May 2014. In meeting its corporate objective to support and fund projects within the District, £1,002,246 has been committed to West Somerset based projects in 2016/17, with a total of £1,666,465 having been committed in the District since the Fund was launched.

- Economic Development and Tourism – in delivering approved initiatives in the areas of Economic Development, Land Management, Employment & Skills and Tourism to meet its corporate objective of maximising the benefits of the Hinkley Point C project for local people and local businesses, the Council has spent £433,074 leaving £967,253 to deliver further activity.

- Leisure – in meeting its corporate objective and after having worked with the community, the Council has approved funding for a wide variety of projects within the District to support organisations who deliver services and facilities where sports and leisure activity takes place. A total of £709,741 has been received, of which £682,600 has been approved against projects, with £27,141 yet to be approved. Of this approved amount, £90,707 has been spent to date.

- Housing – using contributions from EDF Energy to meet its corporate objective the Council has worked with partners to deliver a total of 112 additional bed spaces within the existing housing stock (empty properties, flats over shops etc) using housing initiatives, a total of £340,493 has been spent on these. The Council has also worked with a range of housing partners and developers to contribute towards the delivery of 420 new bed spaces within new dwellings that are being built (both standard market and affordable), a total of £530,732 has been spent to deliver these initiatives. A further £421,851 is available to spend in the coming years.

The West Somerset Local Plan
The Plan was adopted in November 2016 and sets local planning policies for the area over the period to 2032 and its adoption marked the culmination of more than six years work.

Land Charges
To highlight their consistently high standard of service delivery, the Land Charges team discovered that their service at WSC was rated 6th out of 326 councils nationally in the category of "The Best Performing Local Land Charges Department" at the annual Local Land Charges Awards event held in March 2017.

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

Blenheim Gardens
Blenheim Gardens in Minehead won a top award from the Britain in Bloom initiative. The Gardens gained four stars and silver gilt in the South West in Bloom parks awards. A great deal of work has been carried out by staff and our wonderful volunteers.

Somerset West Lottery
The Council approved the concept of a social lottery to benefit local good causes, which resulted in the Gambling Commission approving our operator licence and a launch to potential good causes. The public launch was planned for 13th June 2017 and the first draw is due to take place on 29th July 2017.

Cuckoo Meadow Activity Area (5 year project)
This Big Lottery funded project continues to build the play provision for children and young people in South Minehead. This is a great example of partnership working with our voluntary sector organisation – Minehead EYE and Somerset Rural Youth Project.

Big Energy Switch
The promotion of this scheme with a council tax mailshot in 2016/17 resulted in our largest number of switchers – 167. Residents continue to make as much as £400 a year in the way of savings on their energy bills by using our scheme to switch energy suppliers.

Resident Satisfaction Survey

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

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

65% agreed that the Council is efficient and well run
65% agreed that the Council provides value for money
(Sample size 180)

FINANCIAL PERFORMANCE

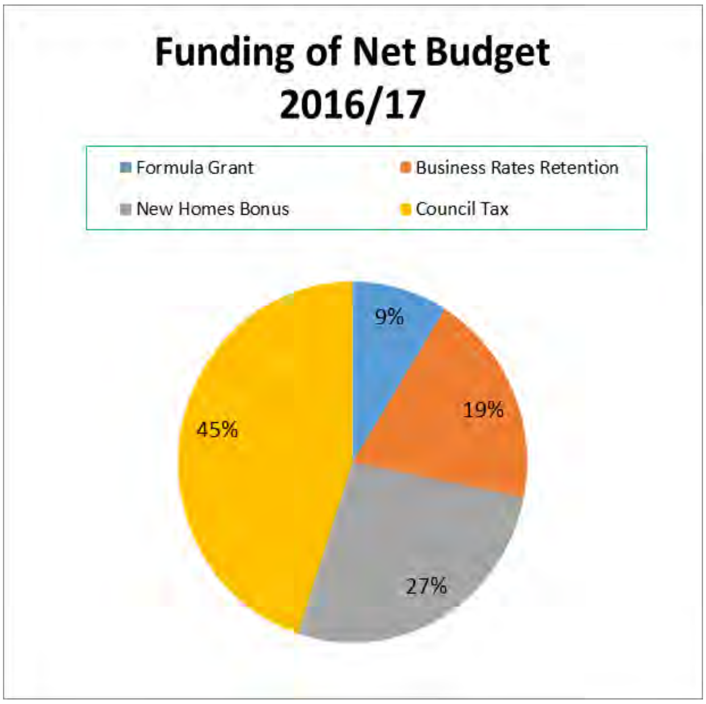
Economic Environment

It has been well documented that Local Government has seen major cuts over several years now and 2016/17 saw us with a challenging budget to close and the prospect of further cuts to come with some of our grants changed or extinguished completely. We now know that Revenue Support Grant (RSG) will disappear by 2019/20. Overall this will mean our Settlement Funding baseline (including RSG, Rural Services Grant and Business Rates Baseline) will have reduced from £2.63m in 2013/14 to a projected £1.33m by 2019/20 – a reduction of virtually 50%. Under the business rates retention system we are currently projecting that our actual funding will exceed the baseline as we share in growth in rateable values, most notably in respect of Hinkley nuclear power station. The rateable values are determined by the Valuation Office Agency, and have proven to be volatile since the introduction of the retention system in 2013. This had made financial planning precarious and, prior to the recent increase of the Hinkley rateable value through the 2017 Revaluation, it was clear that the Council's financial position was unviable in the longer term. There continues to be significant uncertainty in our financial planning with first "reset" of the business rates baseline and retention figures due in 2020 together with the Government's planned move to "100% retention".

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; look at our risk profile and maintain adequate reserves; we use prudent financial provisions to mitigate the effect of business rates appeals and we set aside funds in reserves to ensure we have some resilience to adhoc pressures and new service demands.

Financial Management

The financial standing of the Council is more resilient than in the previous two years due to the setting aside of reserves and the agreement of the Hinkley B valuation. This however in itself brings risk and we have therefore taken the prudent steps to enhance the Business Rates Smoothing Reserve to mitigate against this volatile area. The outturn for the Council results in a transfer to general reserves of £0.271m.



FINANCIAL OVERVIEW

General Fund Revenue Budget and Reserves

The Council's original Net Budget for 2016/17 (excluding parish precepts) was £2.171m, representing the net cost of General Fund services funded by grants, business rates and council tax as shown in the following table and graph. Through supplementary budget changes for planned use of reserves the final net budget was £2.216m. It is worth noting that the Net Budget was skewed by the repayment of a £2.729m business rates deficit from previous years. Without this the net budget would have been £4.945m.

In setting the budget for 2016/17 the Council increased Council Tax by £5. This meant the annual Band D Council Tax charge for services provided by the Council rose to £145.56.

	£k
Revenue support grant	551
Retained business rates	1,421
Rural Services Delivery Grant	212
Business rates Collection Fund deficit	(2,729)
New Homes Bonus	716
Council tax Collection Fund surplus	14
Council Tax income	1,986
Original Net Budget	2,171

The Council's actual net expenditure in 2016/17 was £1.945m which results in a reported net underspend on the final revised budget of £0.271m (12.2% of Net Budget). The net underspend arose due to variances in several budget areas. The most significant underspends have been reported against Housing Benefits; Council Tax Admin; Parking, Supported Accommodation and Investment Income. These together with other smaller underspends have enabled the Council to offset budget overspends/shortfalls in arriving at the net position.

The following table provides a summary of the financial results for the year compared to budget.

General Fund Outturn 2016/17	Revised Budget £k	Actual £k	Variance £k	%
Corporate	544	515	(29)	(1.3)
Operations	3,158	2,960	(198)	(8.9)
Housing and Communities	519	492	(27)	(1.2)
Growth and Development	460	478	18	0.8
Interest and Other income	(2)	(37)	(35)	(1.6)
Transfers to/from Earmarked Reserves	(2,161)	(2,161)	0	
Transfer from General Reserves	(326)	(326)	0	
Somerset Rivers Authority	24	24	0	
Revised Net Budget	2,216	1,945	(271)	(12.2)
Funding	(2,216)	(2,216)	0	0
Net Under(-)/Overspend for the year	**0**	**(271)**	**(271)**	**(12.2)**

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 decreased from £1,073,242 at the start of the year to £858,776 at 31 March 2017. This is £258,776 above the recommended minimum balance. Later in this statement I explain the financial challenges and risks faced by the Council. Having reserves at this level provides some resilience as the Council continues to strive for a robust and sustainable financial position.

The Council also carries Earmarked Reserve balances, which represent funds that have been set aside to support specific spending in future years. The General Fund Earmarked Reserves balance at 31 March 2017 stands at £2,882,998. This balance covers a wide variety of known planned spending commitments and contingencies, including: Business Rates Smoothing Reserve to mitigate funding volatility; Strategic Housing Market Area Assessment, planned investment in Transformation and Creating a New Council, and Homelessness provision with some other smaller commitments which we have prudently put aside. Although this figure appears high in relation to the Council's spending position, the majority of these Earmarked Reserves will be spent during 2017/18 and 2018/19.

Capital Spending and Reserves

In addition to our spending on day-to-day service provision, the Council spends money on assets such as buildings, asset disposal costs, IT equipment and systems, and the provision of capital grants to others such as disabled facilities and decent homes grants. Capital expenditure in the year totalled £1.667m (£1.823m in 2015/16). This included spending of £0.651m on General Schemes and £1.016m on Hinkley impact mitigation schemes.

Summary Capital Spend	**£k**	**Sources of Capital Funding**	**£k**
Steam Coast Trail Project	294	Capital Receipts	23
Asset Disposal/Demolition Costs	29	Capital Grants	545
Play Space	17	S106 General	74
Disabled Facilities Grants	244	S106 Hinkley	1,016
Hinkley impact mitigation projects	1,016	Revenue Reserves	9
Other schemes	67		
Total	**1,667**	**Total**	**1,667**

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

The Capital Programme has committed approved capital spending in future years of £3.911m. 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 any 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 £3.614m of capital reserves (capital receipts and capital grants), providing funding for the approved capital spending referred to above. We have also had approval to borrow £3.5m in relation to Somerset Waste Partnership, which would finance a loan to them in respect of the purchase of new waste vehicles. This will bring us additional interest income. Under new legislation we also have the option to use our capital receipts flexibly for Transformation purposes for both capital and revenue expenditure.

Balance Sheet

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

	31 March 2016	**31 March 2017**
	£000	**£000**
Non-current assets	16,257	14,054
Net current assets – debtors, stock and cash less short term creditors and liabilities	(787)	3,999
Long term liabilities and provisions	(16,421)	(18,969)
	(951)	**(916)**
Represented by: Usable reserves	8,130	6,840
Represented by: Unusable reserves	(9,081)	(7,756)
Total Reserves	**(951)**	**(916)**

Treasury Management

Total cash and cash equivalents and short term investments at 31 March 2017 were £16.489m. The tables below show how that balance is split between West Somerset general funds and funds provided under planning obligations by EDF for Hinkley impact mitigation.

The main factors that would affect cash in the future are:

- Acquisitions and disposals relating to the capital programme;
- The value of reserve balances;
- Business rates appeals provisions;
- Grants and contributions received in advance of related expenditure.

West Somerset Council Funds:

	31 March 2016	**31 March 2017**
	£000	**£000**
Cash and other cash equivalents	325	4,096
Short term investments	2,001	2,015
Total	**2,326**	**6,111**

Hinkley investments:

	31 March 2016	**31 March 2017**
	£000	**£000**
Cash and other cash equivalents	3,157	1
Short term investments	4,013	10,377
Total	**7,170**	**10,378**

Pensions

The Council's share of the overall Pension Fund deficit increased from £15.560m at 31 March 2016 to £18.450m at 31 March 2017. The deficit has increased by 18.5%, which is largely due to a change in the financial valuation assumptions by the actuaries.

With the staff moving under the employment of Taunton Deane Borough Council through our working in partnership, the accounts of West Somerset Council focus on the deficit which had to be retained on the balance sheet and which is addressed by an agreed lump sum payment from the Council each year. In 2016/17 this lump sum is £0.310m rising to £0.503m in 2017/18.

ENVIRONMENTAL

Local authorities in Somerset have been working together to develop waste services since 1992 through a joint forum called Somerset Waste Partnership. In October 2007 this co-operation was taken a major step further when Somerset became the first county-wide area to combine waste service functions under a single joint committee of Councillors (Somerset Waste Board) from all Somerset local authorities. Somerset Waste Partnership jointly manages and plans waste collection, recycling and disposal services for almost 250,000 Somerset homes, aiming to increase recycling and reduce the amount of waste going to landfill.

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

West Somerset recycling centre recovery rates = 80% (176,014 visits were made to the three recycling centres in West Somerset);

West Somerset household recycling = 371 kilograms per household;

West Somerset household waste (including recycling) = 737 kilograms per household.

FINANCIAL CHALLENGES IN 2017/18

For 2017/18, the Council had to address a budget gap in the region of £0.200m. This has resulted primarily from the reduction in Revenue Support Grant; inflation rate increases and the significant increase in both the pension lump sum we pay each year and the employer's contribution which has also increased following the actuaries' valuation and their change in assumptions.

As part of the Final Settlement details, Central Government again gave all district councils the power to raise Council Tax by £5 for a Band D property without the need for a referendum. West Somerset took this option which raised an extra £0.028m towards the budget gap compared to previous estimates based on a 1.99% increase.

2017/18 also sees the implementation of the Apprenticeship Levy which encourages employers to create more apprenticeship roles. We have to pay the levy across to Central Government. This amounts to £0.010m for West Somerset District Council but it gives us access to a pot which reflects that amount plus a 10% "top-up" from Central Government to pay for accredited training for new apprentices.

We have also seen our Revenue Support Grant (RSG) reduced by 43% from the previous year, just £0.317m for 2017/18. 2019/20 will be the last year we receive RSG (£0.006m).

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

- Revenue Support Grant
- Rural Services Delivery Grant

- Transitional Grant

Following a consultation we replied to last year, there have been some changes to New Homes Bonus. The consultation proposed a reduction in the number of year's grant we receive, falling from 6 to 4 years or possibly more. In the Final Settlement we learnt that we would receive only 5 years grant and then this would be reduced to four years from 2018/19. This lost us in the region of £0.147m towards our Base Budget but we had anticipated it. A further blow was the implementation of a growth levy which we had not expected which top-sliced 0.4% (£0.068m) from our New Homes Bonus growth figure.

Another pressure emerged during the 2017/18 Budget Setting round. We received the results of the triennial valuation of our Local Government Pension Scheme (LGPS). The lump sum required for 2017/18 meant an additional £143k for the General Fund along with an increase in the Employers' contribution from 13.5% to 15.4% adding an additional £0.037m. The lump sum is due to increase each year thereafter reaching £0.562m by 2021/22, which is a risk for budget setting. We have included these increases in our Medium Term Financial Plan. This significant change was due for the most part on changes to actuaries' assumptions, with them taking a more cautious stance.

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

After the Council approved the Budget for 2017/18 we learnt of a significant change in the business rates amounts we are due to collect following the 2017 Revaluation of rateable values. This included a confirmation of the agreed rateable value for Hinkley B power station, and brings greater certainty to our business rates retention funding in the lead up to the baseline reset, fair funding review and 100% retention all due to be implemented in 2020. We are still mindful of the significant risks due to business rates appeals and have planned accordingly.

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 Audit Committee. Each risk has an owner and is supported by actions designed to reduce uncertainty and the Council's exposure to risk.

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

- Financial uncertainty / budgetary pressures;
- Asset Management – regulatory compliance;
- 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;
- Hinkley Point C – impact on local accommodation and highways, and/or Economic & Social opportunities may not be realised.

WHAT'S NEXT?

Transformation programme

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

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

In the meantime we are preparing the groundwork to ensure we are ready to move forward if the decision is made to create a new council, and pressing ahead with transforming how we deliver services.

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

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

Within the consultation is a proposal to centralise the appeals risk and we hope this will mitigate some of the volatility in Business 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 15) 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 16) 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 17) provides a snapshot of the Council's financial position at 31 March and sets out what is owned and what is owed;
- The **Cash Flow Statement** (page 18) summarises the flows of cash into and out of the Council during the year;
- The **Collection Fund Statement** (page 76) shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to Local Authorities and the Government of council tax and non-domestic rates.
- The **Notes to the Financial Statements** (pages 19-75) 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:

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Telephone No: (01823) 358680
E-mail Address: p.fitzgerald@tauntondeane.gov.uk

Independent Auditor's Report

Independent Auditor's Report to the Members of West Somerset District Council

We have audited the financial statements of West Somerset District Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. 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 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act 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.

Respective responsibilities of the Assistant Director – Strategic Finance and auditor

As explained more fully in the Statement of Responsibilities, 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 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Assistant Director – Strategic Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report, and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements present a true and fair view of the financial position of the Authority as at 31 March 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report, and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act 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 Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

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

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

Respective responsibilities of the Authority and auditor

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.

We are required under Section 20(1)(c) of the Act 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.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether 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 criteria 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 2017.

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 form a view on whether in all significant respects the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Independent Auditor's Report

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Act and the Code of Audit Practice.

Peter Barber

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

55-61 Hartwell House
Victoria Street
Bristol
BS1 6FT

26 September 2017

The Statement of Responsibilities for the Statement of Accounts

Council's Responsibilities

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 West Somerset 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:

The Assistant Director – Strategic Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (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 were up-to-date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Declaration by the Assistant Director – Strategic Finance and Section 151 Officer

I certify that this Statement of Accounts gives a true and fair view of the financial position of West Somerset District Council at 31 March 2017 and of its expenditure and income for the year ended 31 March 2017.

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

Date: 25 September 2017

Approval of the Accounts

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

Chair of Audit Committee

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 statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2015/16 (Restated)					2016/17		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
18,481	(15,090)	3,391	Operations		17,740	(14,640)	3,100
1,235	(184)	1,051	Housing and Communities		1,374	(819)	555
3,256	(1,722)	1,534	Growth and Development		2,945	(1,200)	1,745
671	(98)	573	Strategic Leadership		639	(94)	545
23,643	**(17,094)**	**6,549**	**Cost of Services**		**22,698**	**(16,753)**	**5,945**
		250	Other Operating Expenditure	**12**			960
		368	Financing and Investment Income and Expenditure	**13**			340
		(6,904)	Taxation and Non-Specific Grant Income and Expenditure	**14**			(8,425)
		263	**(Surplus) or Deficit on Provision of Services**				**(1,180)**
		(150)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	**26**			(2,540)
		1,286	Impairment losses on non-current assets charged to the Revaluation Reserve	**26**			938
		(12)	Surplus or deficit on revaluation of available for sale financial assets	**27**			(6)
		(1,263)	Remeasurement of the net defined benefit liability/(asset)	**29**			2,753
		(139)	**Other Comprehensive Income and Expenditure**				**1,145**
		124	**Total Comprehensive Income and Expenditure**				**(35)**

Movement In Reserves Statement

This statement shows the movement from the start of the year to the end 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 'unusable reserves'. The Statement shows how the movements in year of the council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

	Notes	General Fund Balance Including Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Current Year							
Balance at 31 March 2016		**5,443**	**2,230**	**457**	**8,130**	**(9,081)**	**(951)**
Movement in Reserves during 2016/17							
Total Comprehensive Income and Expenditure		1,180	0	0	**1,180**	(1,145)	**35**
Adjustments between accounting basis and funding basis under regulations	**10**	(2,881)	(11)	422	**(2,470)**	2,470	**0**
Increase / (Decrease) in 2016/17		(1,701)	(11)	422	**(1,290)**	1,325	**35**
Balance at 31 March 2017 Carried forward		**3,742**	**2,219**	**879**	**6,840**	**(7,756)**	**(916)**
Comparative Year							
Balance at 31 March 2015		**4,431**	**895**	**217**	**5,543**	**(6,370)**	**(827)**
Movement in Reserves during 2015/16 (Restated)							
Total Comprehensive Income and Expenditure		(263)	0	0	**(263)**	139	**(124)**
Adjustments between accounting basis and funding basis under regulations	**10**	1,275	1,335	240	**2,850**	(2,850)	**0**
Increase / (Decrease) in 2015/16		1,012	1,335	240	**2,587**	(2,711)	**(124)**
Balance at 31 March 2016 Carried forward		**5,443**	**2,230**	**457**	**8,130**	**(9,081)**	**(951)**

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, are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (e.g. the Revaluation Reserve, and reserves that hold timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’).

31 March 2016 £000		Notes	31 March 2017 £000
11,481	Property, Plant and Equipment	**15**	11,733
1,696	Investment Properties	**16**	1,767
77	Intangible Assets	**17**	51
2,997	Long-term Investments	**18**	499
6	Long-term Debtors		4
16,257	**Long Term Assets**		**14,054**
1,615	Assets Held for Sale	**19**	1,622
4,930	Short Term Debtors	**20**	1,840
3,482	Cash and Cash Equivalents	**21**	4,097
6,014	Short Term Investments	**18**	12,392
16,041	**Current Assets**		**19,951**
(16,057)	Short Term Creditors	**22**	(15,257)
(771)	Provisions	**23**	(695)
(16,828)	**Current Liabilities**		**(15,952)**
(15,560)	Other Long Term Liabilities	**29**	(18,450)
(861)	Long Term Creditors	**22**	(519)
(16,421)	**Long Term Liabilities**		**(18,969)**
(951)	**Net Assets**		**(916)**
8,130	Usable Reserves	**24**	6,840
(9,081)	Unusable reserves	**25**	(7,756)
(951)	**Total Reserves**		**(916)**

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council 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 Council.

Investing activities represent the extent to which cash outflows have been made for resources, which are intended to contribute to the Council's future service delivery.

Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2015/16 £000		Notes	2016/17 £000
(263)	**Net surplus or (deficit) on the provision of services**		**1,180**
2,746	Adjustments to net surplus or deficit on the provision of services for non cash movements	**31**	3,408
(2,052)	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities	**31**	(153)
431	**Net cash flows from Operating Activities**		**4,435**
(1,599)	Investing Activities	**32**	(3,820)
(1,001)	Financing Activities	**33**	0
(2,169)	**Net increase or decrease in cash and cash equivalents**		**615**
5,651	Cash and cash equivalents at the beginning of the reporting period	**21**	3,482
3,482	**Cash and cash equivalents at the end of the reporting period**	**21**	**4,097**

Notes to the Accounts

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

1 Accounting Policies

i) General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

The Assistant Director – Strategic Finance and S151 Officer undertakes a thorough assessment of going concern. These accounts have been prepared on a going concern basis which means that the functions of the Council will continue in operational existence for at least the next year.

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 is written down and a charge made 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 highly liquid 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. The Council includes deposits in Business Reserve Accounts in cash equivalents.

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 a 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 comparatives amounts for the prior period.

Note 2 on Page 32 provides details of the prior year period adjustment for 2015/16.

v) Charges to Revenue for Non-Current Assets

Services and support services are debited with the following amounts to record the cost of holding non-current 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 in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

During 2015/16 the Council amended its Minimum Revenue Provision (MRP) Policy to the Equal Instalment Method whereby MRP is linked to weighted asset life. This was considered to be a prudent approach as it takes into account the materiality of each asset and its remaining useful life. For the Council this has meant that MRP repayments have been extended to a 39.38 year period.

In addition the Council also decided to fund MRP from capital receipts reserves for 2015/16 and the following two financial years.

vi) Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled wholly within twelve months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. Due to the fact that all staff are now employed by Taunton Deane Borough Council this expense is recognised as part of the shared service costs reflected within the Statement of Accounts.

An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being 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 benefits are charged to revenue in the financial year in which the holiday absence occurs.

As all West Somerset staff are now employed by Taunton Deane Borough Council (TDBC) the accrual for accumulated absences is shown in the TDBC Statement of Accounts and no longer reported by this Council under this category of spend.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accrual basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

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

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

- The liabilities of the Somerset County Council pension fund attributable to West Somerset 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 projected earnings for current employees;
- Liabilities are discounted to their value at current prices, using a discount rate of 2.5% (based on the annualised yield at the 15 year point on the Merrill Lynch AA-rated corporate bond yield curve which has been chosen to meet the requirements of IAS 19 and with the consideration of the duration of the Employer's liabilities);
- The assets of the Somerset County Council pension fund attributable to West Somerset 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 in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- **Net interest on the net defined benefit liability, i.e. net interest expense for the Council -** the change during the period in the defined benefit liability (asset) 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 (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements comprising:

- **The return on plan assets** – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- **Actuarial Gains and Losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- **Contributions paid to the Peninsula 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 to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits that 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.

vii) 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.

viii) Financial Instruments

Financial Liabilities

Financial liabilities 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 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 interest rate 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.

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 in 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 de-recognition 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 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.

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

- instruments with quoted market process – 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 process 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.

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 (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, 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. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains or 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.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

ix) Government Grants and Contributions

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

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance 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.

x) Intangible Assets

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

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £0.010m) the Capital Receipts Reserve.

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 and losses 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 sale proceeds greater than £0.010m) the Capital Receipts Reserve.

xii) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks 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 benefiting from use of the leased property, plant or equipment. Charges 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 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 Council’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. There are two exceptions to this:

- The expenditure incurred is below £0.002m. In such cases expenditure is charged direct to the revenue accounts;
- The asset is acquired through an operating lease when rental payments are charged to the revenue account.

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.

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

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

Where there is no market-based evidence of fair 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 (assets under construction).

Depreciation is calculated on the following bases:

- Buildings – straight-line allocation over the life of the property as estimated by the Valuer;
- Vehicles, plant and equipment – straight-line allocation, based on the type of asset class in the balance sheet, (vehicles 5-15 years, plant 10 years and equipment 5 years);
- Infrastructure – straight-line allocation over 25 years.

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.

Assets that are sold during the year are treated as if sold on 1 April and therefore do not attract a depreciation charge for the year. Assets acquired during the year attract a full years' charge.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised 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.

When 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.

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

xv) Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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 recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

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

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

Contingent Assets

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

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

xvi) Reserves

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

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation and retirement 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 has been 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 and Customs. VAT receivable is excluded is excluded from income.

xix) Related Party Transactions

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.

The materiality of the transaction has been considered before justifying inclusion in the statements. Transactions disclosed elsewhere in the Statement of Accounts are not cross referenced in the note. Disclosure is only required where the Council has gone beyond providing financial assistance to having a relationship with the assisted organisation that allows it to exert control over the organisation's financial and operational policies.

xx) 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.

xxi) Accounting for Council Tax and NDR

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

xxii) Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as covered bonds 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 liability takes place either:

- In the principal market for the asset or liability, or
- 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 to 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 Council 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 Restatements

Comprehensive Income and Expenditure Statement

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

Net Expenditure SERCOP Service Line	As Reported In The Comprehensive Income and Expenditure Statement 2015/16 £000	Adjustments Between SERCOP Classifications and Internal Reporting Classifications £000	As Restated 2015/16 £000	Directorate
Central Services To The Public	385	3,006	**3,391**	Operations
Cultural and Related Services	726	(726)	**0**	
Environmental and Regulatory	2,170	(2,170)	**0**	
Highways and Transport Services	(231)	231	**0**	
Other Housing Services	1,180	(129)	**1,051**	Housing and Communities
Planning Services	1,767	(233)	**1,534**	Growth and Development
Corporate and Democratic Core	896	(323)	**573**	Strategic Leadership
Non Distributed Costs	(344)	344	**0**	
Cost of Services	**6,549**	**0**	**6,549**	

Gross Expenditure SERCOP Service Line	As Reported In The Comprehensive Income and Expenditure Statement 2015/16 £000	Adjustments Between SERCOP Classifications and Internal Reporting Classifications £000	As Restated 2015/16 £000	Directorate
Central Services To The Public	512	17,969	**18,481**	Operations
Cultural and Related Services	962	(962)	**0**	
Environmental and Regulatory	2,435	(2,435)	**0**	
Highways and Transport Services	318	(318)	**0**	
Other Housing Services	15,816	(14,581)	**1,235**	Housing and Communities
Planning Services	2,594	662	**3,256**	Growth and Development
Corporate and Democratic Core	958	(287)	**671**	Strategic Leadership
Non Distributed Costs	0	0	**0**	
Cost of Services	**23,595**	**48**	**23,643**	

Gross Income SERCOP Service Line	As Reported In The Comprehensive Income and Expenditure Statement 2015/16 £000	Adjustments Between SERCOP Classifications and Internal Reporting Classifications £000	As Restated 2015/16 £000	Directorate
Central Services To The Public	(127)	(14,963)	**(15,090)**	Operations
Cultural and Related Services	(236)	236	**0**	
Environmental and Regulatory	(265)	265	**0**	
Highways and Transport Services	(549)	549	**0**	
Other Housing Services	(14,636)	14,452	**(184)**	Housing and Communities
Planning Services	(827)	(895)	**(1,722)**	Growth and Development
Corporate and Democratic Core	(62)	(36)	**(98)**	Strategic Leadership
Non Distributed Costs	(344)	344	**0**	
Cost of Services	**(17,046)**	**(48)**	**(17,094)**	

Movement in Reserves Statement

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

2015/16	General Fund Balance as Previously Stated £000	Earmarked General Fund Reserves as Previously Stated £000	General Fund Balance Restated £000
Balance at 31 March 2015	530	3,901	**4,431**
Movement in Reserves during 2015/16		0	**0**
Surplus or Deficit on the Provision of Services	(263)	0	**(263)**
Total Comprehensive Income and Expenditure	**(263)**	**0**	**(263)**
Adjustments between accounting and funding basis under regulations	1,275	0	**1,275**
Increase or (Decrease) before transfers to Earmarked Reserves	**1,012**	**0**	**1,012**
Transfer to / from Earmarked Reserves	(469)	469	**0**
Balance at 31 March 2016	**1,073**	**4,370**	**5,443**

3 Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

There are no accounting standards affecting the Council that have been issued but not yet adopted for 2016/17.

4 Critical Judgments in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- 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 £1.627m (Council's share of this is £0.651m). 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 contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking onto account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from assumptions and estimates.

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

Item	Uncertainties	Effect If Actual Results Differ From Assumptions
Pensions Liability	Estimation of the net liability to pay pension depends on a number of complex judgments 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. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	As at 31 March 2017 the pension liability for West Somerset Council amounted to £18.450m. 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% then the projected service cost would change by £0.908m. Similarly a change of plus or minus 1 year in life expectancy assumptions would change the projected service cost by £2.694m.
Arrears	As at 31 March 2017, the Council had a balance of corporate debtors of £0.193m. A review of balances suggested that an impairment allowance of £0.099m was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £0.099m to be set aside as an allowance.

Business Rates Appeals Provision	Estimates has 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.
Fair Value Measurements	When the fair values of financial assets and financial liabilities cannot be measured based on quoted process in active markets (i.e. Level 1 inputs) the fair value is measured using similar assets or liabilities in active markets or the discounted cash flow (DCF) model. Where possible, the inputs to these valuation techniques are based on observable data but were this is not possible judgment is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties the Council's internal valuation officer and for financial assets and liabilities the Council uses external treasury management advisers).	The Council uses the discounted cash flow (DCF) model to measure the fair value of its investment properties and financial assets. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels, (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets). Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets.

6 Material Items of Income and Expense

Included within the Comprehensive Income and Expenditure Statement there are items of income and expenditure that are considered to be material to the Council in carrying out its duties and these are as follows:

Housing Benefit Payments and Subsidy

The Council incurs a significant proportion of spend on benefit payments, which is funded predominantly by Government grant. Housing Benefit and subsidy payments are included within Housing and Communities on the face of the Comprehensive Income and Expenditure Statement and payments amounted to £12.576m in 2016/17 compared with £13.291m in 2015/16. Housing Benefit subsidy amounted to (£12.510m) in 2016/17 compared with (£13.173m) in 2015/16.

7 Events after the Balance Sheet Date

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

8 Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2016/17	As Reported For Resource Management £000	Adjustment To Arrive At The Net Amount Chargeable To The General Fund (Note 8a) £000	Net Expenditure Chargeable To The General Fund Balance £000	Adjustments Between Funding and Accounting Basis (Note 8a)	Net Expenditure In The Comprehensive Income and Expenditure Statement £000
Operations	2,768	38	2,806	294	3,100
Housing and Communities	754	81	835	(280)	555
Growth and Development	568		568	1,177	1,745
Strategic Leadership	556		556	(11)	545
Net Cost of Services	**4,646**	**119**	**4,765**	**1,180**	**5,945**
Other Income and Expenditure	(4,432)	(119)	**(4,551)**	(2,574)	(7,125)
Surplus or Deficit	**214**	**0**	**214**	**(1,394)**	**(1,180)**
Opening General Fund Balance			**(1,073)**		
Plus Surplus/Less Deficit on General Fund Balance in Year			**214**		
Closing General Fund Balance at 31 March			**(859)**		

2015/16	As Reported For Resource Management £000	Adjustment To Arrive At The Net Amount Chargeable To The General Fund (Note 8a) £000	Net Expenditure Chargeable To The General Fund Balance £000	Adjustments Between Funding and Accounting Basis (Note 8a)	Net Expenditure In The Comprehensive Income and Expenditure Statement £000
Operations	2,431	15	2,446	945	3,391
Housing and Communities	640	78	718	333	1,051
Growth and Development	586	0	586	948	1,534
Strategic Leadership	544	0	544	29	573
Net Cost of Services	**4,201**	**93**	**4,294**	**2,255**	**6,549**
Other Income and Expenditure	(4,744)	(93)	(4,837)	(1,449)	(6,286)
Surplus or Deficit	**(543)**	**0**	**(543)**	**806**	**263**
Opening General Fund Balance			**(530)**		
Plus Surplus/Less Deficit on General Fund Balance in Year			**(543)**		
Closing General Fund Balance at 31 March			**(1,073)**		

8a Note to the Expenditure and Funding Analysis

2016/17	Rental Income Reported At Directorate Level (Note 1) £000	Other Differences (Note 4)	Total To Arrive At Amount Charged To The General Fund £000	Adjustment For Capital Purposes (Note 2) £000	Net Change For The Pensions Adjustment (Note 3) £000	Total Adjustment Between Funding and Accounting Basis £000
Operations	0	38	**38**	305	(11)	**294**
Housing and Communities	81	0	**81**	(280)	0	**(280)**
Growth and Development	0	0	**0**	1,177	0	**1,177**
Strategic Leadership	0	0	**0**	(11)	0	**(11)**
Net Cost of Services	81	38	**119**	1,191	(11)	**1,180**
Other Income and Expenditure	(81)	(38)	**(119)**	(2,447)	(127)	**(2,574)**
Total	**0**	**0**	**0**	**(1,256)**	**(138)**	**(1,394)**

2015/16	Rental Income Reported At Directorate Level (Note 1) £000	Other Differences (Note 4)	Total To Arrive At Amount Charged To The General Fund £000	Adjustment For Capital Purposes (Note 2) £000	Net Change For The Pensions Adjustment (Note 3) £000	Total Adjustment Between Funding and Accounting Basis £000
Operations	0	15	**15**	954	(9)	**945**
Housing and Communities	78	0	**78**	333	0	**333**
Growth and Development	0	0	**0**	948	0	**948**
Strategic Leadership	0	0	**0**	29	0	**29**
Net Cost of Services	78	15	**93**	2,264	(9)	**2,255**
Other Income and Expenditure	(78)	(15)	**(93)**	(1,665)	216	**(1,449)**
Total	**0**	**0**	**0**	**599**	**207**	**806**

Note 1 – Rental Income Reported At Directorate Level
For resource management purposes, the Council includes rental income from investment properties in the Housing and Communities Directorate, however, this is reported in the financial statements below the cost of services line and, therefore, this table shows the item being reallocated.

Note 2 – Adjustments for Capital Purposes
This column adds in depreciation, impairment and revaluation gains and losses in the services lines, 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 and expenditure** – 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 and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Note 3 – Net Change for the Pension Adjustments
This column shows the net change for the removal of pension contributions and the addition of IAS19 *Employee Benefits* pension related expenditure and income:

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

- **For financing and investment income and expenditure** – this represents the net interest on the defined benefit liability charged to the Comprehensive Income and Expenditure Statement.

Note 4 – Other Differences
This column shows the other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute.

- For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts;

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

Segmental Income

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

Services	2015/16 Income from Services £000	2016/17 Income from Services £000
Operations	(1,383)	(1,623)
Housing and Communities	(214)	(210)
Growth and Development	(145)	(219)
Strategic Leadership	(1)	(4)
Total Income analysed on a Segmental Basis	**(1,743)**	**(2,056)**

9 Expenditure and Income Analysed By Nature

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

Expenditure/Income	2015/16 £000	2016/17 £000
Expenditure		
Employee Benefits Expenses	0	0
Other Service Expenses	22,798	22,047
Support Service Recharges	0	0
Depreciation, Amortisation, Impairment	1,388	1,175
Interest Payments	6	0
Precepts and Levies	873	907
(Gain) / Loss on the Disposal of Assets	(624)	52
Total Expenditure	24,441	24,181
Income		
Fees, Charges and Other Service Income	(1,743)	(2,056)
Interest and Investment Income	(107)	(183)
Income from Council Tax, Non-Domestic Rates	(3,591)	(4,543)
Government Grants and Contributions	(18,737)	(18,579)
Total Income	(24,178)	(25,361)
Surplus or Deficit on the Provision of Services	**263**	**(1,180)**

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.

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.

10 Adjustments between Accounting Basis and Funding Basis under Regulations

2016/17	General Fund Balance £000	Capital Receipts 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)	137	0	0
Council Tax and NNDR (transfers to or from the Collection Fund)	(3,762)	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	1,336	0	0
Total Adjustment to Revenue Resources	**(2,289)**	**0**	**0**
Adjustment between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(153)	154	0
Statutory provision for the repayment of debt (transfer from the capital adjustment account)	0	(143)	0
Capital expenditure financed from revenue balances	(9)	0	0
Total Adjustments between Revenue and Capital Resources	**(162)**	**11**	**0**
Adjustments to Capital Resources			
Use of the Capital Receipts reserve to finance capital expenditure	0	(22)	0
Application of capital grants to finance capital expenditure	(430)	0	422
Total Adjustments to Capital Resources	**(430)**	**(22)**	**422**
Total Adjustments	**(2,881)**	**(11)**	**422**

2015/16 Comparative Year	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
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)	207	0	0
Council Tax and NNDR (transfers to or from the Collection Fund)	573	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)	4,034	0	0
Total Adjustment to Revenue Resources	**4,814**	**0**	**0**
Adjustment between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(2,052)	2,056	0
Statutory provision for the repayment of debt (transfer from the capital adjustment account)	0	(143)	0
Capital expenditure financed from revenue balances	(52)	0	0
Total Adjustments between Revenue and Capital Resources	**(2,104)**	**1,913**	**0**
Adjustments to Capital Resources			
Use of the Capital Receipts reserve to finance capital expenditure	0	(578)	0
Application of capital grants to finance capital expenditure	(1,435)	0	240
Total Adjustments to Capital Resources	**(1,435)**	**(578)**	**240**
Total Adjustments	**1,275**	**1,335**	**240**

11 Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2016/17.

Earmarked Reserves	Balance as at 31/03/2015 £000	Transfers Out £000	Transfers In £000	Balance as at 31/03/2016 £000	Transfers Out £000	Transfers In £000	Balance as at 31/03/2017 £000
Business Rates Smoothing	**2,930**	(150)	609	**3,389**	(3,224)	140	**305**
Joint Management Project	**276**	(40)	66	**302**	(553)	290	**39**
Asset Maintenance & Compliance	**0**	0	122	**122**	(21)	112	**213**
Area Based Grant	**85**	(85)	0	**0**	0	0	**0**
Revenues and Benefits Reserve	**80**	(8)	18	**90**	(17)	0	**73**
Planning Policy Reserve	**62**	(41)	0	**21**	(49)	223	**195**
Sustainability Reserve	**58**	(40)	50	**68**	(50)	23	**41**
Hinkley Corporate Cost	**50**	(50)	0	**0**	0	0	**0**
Homelessness Prevention	**44**	3	0	**47**	0	(3)	**44**
Assessment	**0**	0	1	**1**	0	575	**576**
Create New Council	**0**	0	0	**0**	(5)	762	**757**
Other Earmarked Reserves	**316**	(165)	179	**330**	(141)	451	**640**
Total	**3,901**	**(576)**	**1,045**	**4,370**	**(4,060)**	**2,573**	**2,883**

Business Rates Smoothing Reserve: The business rates funding system results in volatility in the Collection Fund balance, which the Council will need to fund in subsequent years. The Council sets aside funds in this smoothing reserve to avoid large spikes in the Revenue Budget as a result of successful Business Rates appeals.

Joint Management Project: This reserve represents funds set aside to help fund the Council's share of the costs of implementing the Joint Management and Shared Services arrangements for West Somerset and Taunton Deane Borough Council.

Planning Policy Reserve: Monies have been set aside to be drawn down in 2016/17 to cover additional costs arising and relating to the West Somerset Local Plan preparation through to examination and beyond to adoption.

Sustainability Reserve: Earmarked for initiatives that have a positive impact upon the long term sustainability of the Council.

Homelessness Prevention: Homelessness prevention grant received as part of Revenue Support Grant in 2015/16 was earmarked along with the remainder of the Mortgage Rescue Grant.

Creating a New Council: To set aside funding towards the potential cost of a new Council.

Strategic Housing Market Area Assessment: DCLG funding which will support plans for more affordable housing in West Somerset.

12 Other Operating Expenditure

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

2015/16 £000		2016/17 £000
871	Parish Council precepts	904
3	Levies	3
(624)	(Gains)/Losses on the disposal of non current assets	53
250	**Total**	**960**

13 Financing and Investment Income and Expenditure

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

2015/16 £000		2016/17 £000
6	Interest payable and similar charges	0
542	Net interest on the defined liability (asset)	523
(24)	Interest receivable and similar income	(38)
(73)	Income and Expenditure in relation to investment properties and changes in their fair value	(61)
(83)	Other investment income	(84)
368	**Total**	**340**

14 Taxation and Non Specific Grant Income

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

2015/16 £000		2016/17 £000
(2,781)	Council tax income	(2,967)
(810)	Non domestic rates	(1,576)
(1,878)	Non-ringfenced government grants	(1,825)
(1,435)	Capital grants and contributions	(2,057)
(6,904)	**Total**	**(8,425)**

More details of grants the Council has received can be found in Note 37 Grant Income.

15 Property, Plant and Equipment

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

Movement in 2016/17	Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Non Operational Assets £000	Total £000
Cost or Valuation						
At 1 April 2016	**7,935**	**3,262**	**6,917**	**55**	**527**	**18,696**
Additions	1	2	0	0		**3**
Revaluation increases / (decreases) recognised in the Revaluation reserve	1,246	0	0	0	3	**1,249**
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(745)	0	0	0	0	**(745)**
Reclassifications	(10)	0	0	0	0	**(10)**
Derecognition - Disposals	(126)	(105)	0	0	0	**(231)**
At 31 March 2017	**8,301**	**3,159**	**6,917**	**55**	**530**	**18,962**
Accumulated Depreciation and Impairment						
At 1 April 2016	**(255)**	**(3,032)**	**(3,928)**	**0**	**0**	**(7,215)**
Depreciation charge	(163)	(45)	(188)	0	0	**(396)**
Depreciation written out to the Revaluation Reserve	356	0	0	0	0	**356**
Derecognition - Disposals	11	15	0	0	0	**26**
At 31 March 2017	**(51)**	**(3,062)**	**(4,116)**	**0**	**0**	**(7,229)**
Net Book Value						
As at 31 March 2017	**8,250**	**97**	**2,801**	**55**	**530**	**11,733**
As at 31 March 2016	**7,680**	**230**	**2,989**	**55**	**527**	**11,481**

Comparative Movement 2015/16	Land and Buildings £000	Vehicles, Plant and Equipment £000	Infra-structure Assets £000	Community Assets £000	Non Operational Assets £000	Total £000
Cost or Valuation						
At 1 April 2015	**10,033**	**3,085**	**6,938**	**85**	**527**	**20,668**
Additions	(3)	177	14	0	0	**188**
Revaluation increases / (decreases) recognised in the Revaluation reserve	(1,186)	0	0	0	0	**(1,186)**
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(909)	0	(35)	0	0	**(944)**
Derecognition - Disposals	0	0	0	(30)	0	**(30)**
At 31 March 2016	**7,935**	**3,262**	**6,917**	**55**	**527**	**18,696**
Accumulated Depreciation and Impairment						
At 1 April 2015	**(219)**	**(2,952)**	**(3,741)**	**0**	**0**	**(6,912)**
Depreciation charge	(128)	(80)	(187)	0	0	**(395)**
Depreciation written out to the Revaluation Reserve	92	0	0	0	0	**92**
At 31 March 2016	**(255)**	**(3,032)**	**(3,928)**	**0**	**0**	**(7,215)**
Net Book Value						
As at 31 March 2016	**7,680**	**230**	**2,989**	**55**	**527**	**11,481**
As at 31 March 2015	**9,815**	**133**	**3,197**	**85**	**527**	**13,757**

Depreciation

Depreciation is calculated on the following bases:

- **Buildings** – straight-line allocation over the life of the property as estimated by the Valuer. The useful economic lives of the assets held as operational buildings, as determined by the Valuer, range from between 1 and 60 years;
- **Vehicles, plant and equipment** – straight-line allocation, based on the type of asset class in the balance sheet, (vehicles 5-15 years, plant 10 years and equipment 5 years);
- **Infrastructure** – straight-line allocation over 25 years.

Capital Commitments

There are currently no material contractual commitments in respect of capital expenditure.

Revaluations

The Council carries out a programme that ensures that all Property, Plant and Equipment is measured at fair value with the latest revaluation exercise being carried out as at 31 March 2017. All valuations have been carried out by TDA, a trading name of Torbay Economic Development Company Ltd (TEDCL), which in turn are a company controlled by Torbay Council. Valuations of land and buildings were carried out in accordance with methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

	Land and Buildings £000	Vehicles Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Non Operational Assets £000	Total £000
Valued at Historic Cost		3,159	6,917	55	530	**10,661**
Valued at:						
2016/17	8,184	0	0	0	0	**8,184**
2015/16	0	0	0	0	0	**0**
2014/15	0	0	0	0	0	**0**
2013/14	9	0	0	0	0	**9**
2012/13	0	0	0	0	0	**0**
2011/12	0	0	0	0	0	**0**
2010/11	108	0	0	0	0	**108**
Total	**8,301**	**3,159**	**6,917**	**55**	**530**	**18,962**

16 Investment Properties

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

2015/16 £000		2016/17 £000
89	Rental income from investment property	89
89	**Net gain / (loss)**	**89**

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

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

2015/16 £000	Movement in fair value of investment properties	2016/17 £000
2,733	Balance at start of the year	1,696
	Additions:	
0	Purchases	0
	Reclassifications	10
(1,110)	Disposals	0
73	Net gains/losses from fair value adjustments	61
1,696	**Balance at end of the year**	**1,767**

Fair Value Measurement of Investment Property

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

2015/16 £000	Significant Unobservable Inputs (Level 3)	2016/17 £000
642	Commercial Buildings	749
1,054	Commercial Land	1,018
1,696	**Investment Property**	**1,767**

Significant Unobservable Inputs

The commercial land and buildings located in the Council's area are measured using the income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream. The approach has been developed using the Council's own data requiring it to factor in assumptions such as the duration and timing of cash flows 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 puts to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would have used 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 Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include purchased software licences only.

All software is given a finite useful life based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council are:

- Total (Finance System) has been assigned a useful economic life of 5 years.
- Civica (Revenues and Benefits System) has been assigned a useful life of 5 years.

The carrying amount of intangible assets is amortised on a straight line basis.

The movement on intangible assets during the year is as follows:

	2015/16		2016/17	
	Other Assets	Total	Other Assets	Total
	£000	£000	£000	£000
Balance at start of year:				
Gross carrying amount	63	**63**	138	**138**
Accumulated amortisation	(25)	**(25)**	(61)	**(61)**
Net carrying amount at start of year	**38**	**38**	**77**	**77**
Additions:				
Purchases	75	**75**	0	**0**
Amortisation for the period	(36)	**(36)**	(26)	**(26)**
Net carrying amount at end of year	**77**	**77**	**51**	**51**
Comprising:				
Gross carrying amounts	138	**138**	138	**138**
Accumulated amortisation	(61)	**(61)**	(87)	**(87)**
	77	**77**	**51**	**51**

18 Financial Instruments

Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

Financial Liabilities

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

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

- finance leases (detailed in note 40);
- 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 receive 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 and cash equivalents;
- bank current account with National Westminster Bank;
- loans to other local authorities;
- trade receivables for goods and services delivered.

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

- money market funds;
- covered bonds issued by banks and building societies.

Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

	Long Term		Current	
	31 Mar 2016 £000	31 Mar 2017 £000	31 Mar 2016 £000	31 Mar 2017 £000
Investments				
Loans and receivables	0	0	9,496	13,972
Available-for-sale financial assets	2,997	499	0	2,517
Total investments	**2,997**	**499**	**9,496**	**16,489**
Debtors				
Loans and receivables	0		156	247
Total included in debtors	**0**	**0**	**156**	**247**
Borrowings				
Financial liabilities at amortised cost	0	0	0	0
Total included in borrowings	**0**	**0**	**0**	**0**
Creditors				
Financial liabilities at amortised cost	0	0	10,731	10,809
Total creditors	**0**	**0**	**10,731**	**10,809**

Income Expense Gains and Losses

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

Income, Expense, Gains and Losses 2016/17	Liabilities measured at amortised cost £000	Loans and Receivables £000	Available-for-sale Assets £000	Total £000
Interest Expense	0	0	0	0
Interest payable and similar charges (Note 13)	**0**	**0**	**0**	**0**
Interest Income	0	(38)	0	(38)
Interest receivable and similar (Note 13)	**0**	**(38)**	**0**	**(38)**
Surplus on revaluation of available-for-sale financial assets	0	0	(18)	(18)
Net gain/loss for the year	**0**	**(38)**	**(18)**	**(56)**

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

Recurring Fair Value Measurements	Input Level In Fair Value Hierarchy	Valuation Technique Used to Measure Fair Value	31 March 2016 £000	31 March 2017 £000
Available for sale				
Covered Bonds Issued by UK and Overseas Banks and Building Societies	Level 1	Unadjusted quoted prices in active markets for identical shares	2,997	499
Loans and Receivables				
Fixed Term Deposits with English and Welsh Local Authorities	Level 2	Market interest rates for instruments of similar credit quality	6,014	12,392
			9,011	**12,891**

Changes in the Valuation Technique

The covered bonds were valued at fair value using the above valuation technique for the first time as at 31 March 2016. Prior to that they were valued at amortised cost as the difference was not material.

19 Assets Held for Sale

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

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

	Current	
	2015/16 £000	2016/17 £000
Balance outstanding at start of the year	**1,694**	**1,615**
Assets newly classified as held for sale:		
- Property, Plant and Equipment	339	20
- Investment Property	0	0
Revaluation losses	(48)	(3)
Revaluation gains	0	0
Impairment losses	(84)	(10)
Assets declassified as held for sale:		
Assets sold	(286)	0
Balance outstanding at year end	**1,615**	**1,622**

20 Short Term 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.

31 March 2016 £000		31 March 2017 £000
3,095	Central Government bodies	446
789	Other local authorities	114
1,544	Other entities and individuals	1,765
(498)	Impairment allowance for doubtful debts	(485)
4,930	**Total**	**1,840**

21 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.

31 March 2016 £000		31 March 2017 £000
94	Cash held by the Council	120
203	Bank current accounts	412
3,657	Short-term deposits (call accounts)	3,635
(472)	Unpresented Cheques/BACS	(70)
3,482	**Total**	**4,097**

22 Short Term Creditors

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

31 March 2016 £000		31 March 2017 £000
(4,973)	Central Government bodies	(3,197)
(369)	Other local authorities	(1,098)
(10,715)	Other entities and individuals	(10,962)
(16,057)	**Total**	**(15,257)**

Long Term Creditors

31 March 2016 £000		31 March 2017 £000
(861)	Capital Grants Receipts In Advance	(519)
(861)	**Total**	**(519)**

23 Provisions

	NNDR Appeals £000	Land Charges £000	Planning £000	Total £000
Balance as at 1 April 2015	**(3,178)**	**0**	**0**	**(3,178)**
Additional provisions made in 2015/16	(460)	(25)	0	**(485)**
Amounts used in 2015/16	2,891	1	0	**2,892**
Unused amounts reversed in 2015/16	0	0	0	**0**
Balance as at 1 April 2016	**(747)**	**(24)**	**0**	**(771)**
Additional provisions made in 2016/17	0	0	(20)	**(20)**
Amounts used in 2016/17	75	0	0	**75**
Unused amounts reversed in 2016/17	21	0	0	**21**
Balance as at 31 March 2017	**(651)**	**(24)**	**(20)**	**(695)**

Provision for 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 in respect of refunding ratepayers who have appealed the rateable value of their properties on the rating list. The Council has included a best estimate of its share of expenditure required to settle the present obligation within the collection fund.

Provision for Land Charges

This provision relates to a probable obligation to refund personal search fees in respect of land charges. Previously this has been treated as a contingent liability within the Council's accounts. However, the Council is now in receipt of further information which clarifiers the sums due in respect of this liability and, therefore, it has been reclassified as a provision.

Provision for Planning

This provision relates to potential costs in respect of a planning enquiry.

24 Usable Reserves

31 March 2016 £000		31 March 2017 £000
1,073	General Fund Balance	859
4,370	Earmarked Reserves	2,883
2,230	Capital Receipts Reserve	2,219
457	Capital Grants Unapplied	879
8,130	**Total Usable Reserves**	**6,840**

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement. Usable reserves are reserves that can be applied to fund expenditure or reduce local taxation.

25 Unusable Reserves

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

31 March 2016 £000		Notes	31 March 2017 £000
4,846	Revaluation Reserve	**26**	6,275
12	Available-for-sale Financial Instruments Reserve	**27**	18
4,531	Capital Adjustment Account	**28**	3,549
(15,560)	Pensions Reserve	**29**	(18,450)
(2,910)	Collection Fund Adjustment Account	**30**	852
(9,081)	**Total Unusable Reserves**		**(7,756)**

26 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 deprecation, or
- disposed of and the gains are realised.

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

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

2015/16 £000			2016/17 £000
6,045	**Balance as at 1 April**		**4,846**
150	Upward revaluation of assets	2,540	
(1,286)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of	(938)	
(1,136)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		1,602
(63)	Difference between fair value depreciation and historical cost depreciation	(107)	
0	Accumulated gains on assets sold or scrapped	(66)	
(63)	Amount written off to the Capital Adjustment Account		(173)
4,846	**Balance as at 31 March**		**6,275**

27 Available for Sale Financial Instruments Reserve

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

- revalued downwards or impaired and the gains are lost;

- disposed of and the gains are realised.

2015/16 £000		2016/17 £000
0	**Balance as at 1 April**	**12**
14	Upward revaluation of investments	0
(2)	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	6
12	**Balance as at 31 March**	**18**

28 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 subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to historical basis.) The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and subsequent costs.

The Account also contains revaluation gains accumulated and losses on Investment Properties that have yet to be consumed by the Council and revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 10 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2015/16 £000			2016/17 £000
6,538	**Balance as at 1 April**		**4,531**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
(1,424)	Charges for Depreciation and impairment of non current assets	(1,149)	
0	Revaluation losses on Property, Plant and Equipment	0	
(36)	Amortisation of intangible assets	(26)	
(1,220)	Revenue expenditure funded from capital under statute	(1,645)	
(1,428)	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	(205)	
(4,108)			**(3,025)**
63	Adjusting amounts written out of the Revaluation Reserve		173
(4,045)	**Net written out amount of the cost of non current assets consumed in the year**		**(2,852)**
	<u>Capital financing applied in the year:</u>		
577	Use of the Capital Receipts Reserve to finance new capital expenditure	22	
1,184	Capital grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,627	
52	Direct Revenue Financing	9	
9	Capital Grant Applied	8	
143	Statutory provision for the financing of capital investment charged against the General Fund balances	143	
1,965	Capital expenditure charged against the General Fund		**1,809**
73	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Account		61
4,531	**Balance as at 31 March**		**3,549**

29 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 on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employers' contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pension 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 funding will have been set aside by the time the benefits come to be paid.

2015/16 £000		2016/17 £000
(16,616)	**Balance as at 1 April**	(15,560)
1,263	Remeasurement of the net defined benefit liability/(assets)	(2,753)
(551)	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	(533)
344	Employer's pension contributions and direct payments to pensioners payable in the year	396
(15,560)	**Balance as at 31 March**	**(18,450)**

30 Collection Fund Adjustment Account

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

2015/16 £000		2016/17 £000
(2,337)	**Balance as at 1 April**	**(2,910)**
(573)	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	3,762
(2,910)	**Balance as at 31 March**	**852**

31 Cash Flow – Operating Activities

The cash flows for operating activities include the following items:

2015/16 £000		2016/17 £000
(24)	Interest Received	(38)
6	Interest Paid	0
(18)		**(38)**

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

2015/16 £000		2016/17 £000
395	Depreciation	396
36	Amortisation	26
1,027	Impairment and downward valuations	755
(73)	Revaluation of Investment Properties	(61)
3,860	(Decrease)/Increase in creditors	(724)
(2,211)	(Increase)/Decrease in debtors	3,092
1,426	Carrying Value of Non Current Assets Disposed	205
551	Movement in Pension Liability	533
(344)	Pension Payable for year	(396)
(2,410)	(Decrease)/Increase in Provisions	(76)
485	(Decrease)/Increase in Capital RIA	(342)
4	Other Movements	0
2,746		**3,408**

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

2015/16 £000		2016/17 £000
	Proceeds from the sale of short and long term investments	
	Premiums or Discounts on the repayment of financial liabilities	
(2,052)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(153)
(2,052)		**(153)**

32 Cash Flow Statement – Investing Activities

The cash flow for investing activities includes the following items:

2015/16 £000		2016/17 £000
(652)	Purchase of Property, Plant and Equipment, Investment Property and intangible assets	(99)
(2,999)	Purchase of Short Term & Long Term Investments	(3,874)
2,052	Proceeds from the sale of property, plant and equipment	153
(1,599)	**Net cash flows from investing activities**	**(3,820)**

33 Cash Flow Statement – Financing Activities

2015/16 £000		2016/17 £000
(1,001)	Repayment of Short Term Borrowing	0
(1,001)	**Net cash flows from financing activities**	**0**

34 Officers Remuneration

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

The table below is an extract from the accounts of Taunton Deane Borough Council and represents the full cost of remuneration for the year 2016/17. All staff are employees of Taunton Deane Borough Council and are included for information purposes only.

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

The information shown in the table on the following page is an extract from the information shown in Taunton Deane Borough Council's Statement of Accounts and reflects the full cost of remuneration received by the named post holders during 2016/17.

Post holder information (Post Title)		Salary, Fees and Allowances £	Expenses Allowances £	Compensation for Loss of Office £	Total Remuneration excluding pension contributions £	Pension Contributions £	Total Remuneration £	Annualised Salary £
Chief Executive	**2016/17**	113,131	3,333	0	**116,464**	20,442	**136,906**	113,131
	2015/16	110,000	1,279	0	111,279	20,240	131,519	110,000
Director for Operations & Deputy Chief Executive	**2016/17**	97,442	0	0	**97,442**	12,382	**109,824**	89,598
	2015/16	86,700	1,247	0	87,947	11,704	99,651	86,700
Director for Growth & Development	**2016/17**	84,447	1,481	0	**85,928**	11,126	**97,054**	82,416
	2015/16	81,600	1,274	0	82,874	11,016	93,890	81,600
Director for Housing & Communities	**2016/17**	82,416	0	0	**82,416**	11,126	**93,542**	82,416
	2015/16	81,600	0	0	81,600	11,016	92,616	81,600
Assistant Chief Executive & Monitoring Officer	**2016/17**	65,418	0	0	**65,418**	8,439	**73,857**	65,418
	2015/16	64,770	0	0	64,770	8,744	73,514	64,770
Assistant Director - Housing & Community Development	**2016/17**	61,812	0	0	**61,812**	8,345	**70,157**	61,812
	2015/16	61,200	0	0	61,200	8,262	69,462	61,200
Assistant Director - Planning & Environment	**2016/17**	63,843	677	0	**64,520**	8,345	**72,865**	61,812
	2015/16	61,200	1,354	0	62,554	8,262	70,816	61,200
Assistant Director - Transformation[1]	**2016/17**	63,843	627	0	**64,470**	8,345	**72,815**	61,812
	2015/16	61,200	1,188	0	62,388	8,262	70,650	61,200
Assistant Director - Operational Delivery	**2016/17**	63,051	0	0	**63,051**	8,369	**71,420**	61,812
	2015/16	61,341	0	0	61,341	8,281	69,622	61,200
Assistant Director - Business Development	**2016/17**	61,812	0	0	**61,812**	8,345	**70,157**	61,812
	2015/16	61,200	0	0	61,200	8,262	69,462	61,200
Assistant Director - Strategic Finance	**2016/17**	61,812	0	0	**61,812**	8,345	**70,157**	61,812
	2015/16	61,200	0	0	61,200	8,262	69,462	61,200
Assistant Director - Energy & Infrastructure	**2016/17**	64,543	0	0	**64,543**	8,402	**72,945**	61,812
	2015/16	61,200	0	0	61,200	8,262	69,462	61,200
Assistant Director - Property & Development[2]	**2016/17**	0	0	0	**0**	0	**0**	0
	2015/16	20,476	0	45,900	66,376	2,288	68,664	61,200
Assistant Director - Corporate Services[1]	**2016/17**	22,998	0	0	**22,998**	3,105	**26,103**	68,993
	2015/16	0	0	0	0	0	0	0

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

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

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

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

35 Members Allowances

The Council paid the following amounts to members of the Council during the year:

2015/16 £000		2016/17 £000
74	Basic Allowance	74
61	Special Responsibility Allowance	59
12	Expenses	14
147	**Allowances paid in the year**	**147**

36 External Audit Costs

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

2015/16 £000		2016/17 £000
43	Fees payable to external auditors with regards to external audit services carried out by the appointed auditor for the year	43
7	Fees paid to external auditors for the certification of grant claims and returns for the year	9
50	**Total**	**52**

37 Grant Income

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

Contributions and donations to the Comprehensive Income and Expenditure Statement	2015/16 £000	2016/17 £000
Credited to Taxation and Non Specific Grant Income		
EDF - Hinkley C S106 Contribution - Capital Grant	(874)	(1,017)
New Homes Bonus	(575)	(716)
Revenue Support Grant	(880)	(550)
Section 106 Agreement	(227)	(389)
Disabled Facilities Grant	(241)	(358)
Section 31 Grant - Business Rates	(423)	(346)
Steam Coast Trail	(54)	(294)
Rural Service Grant	0	(213)
Cuckoo Meadow	(38)	0
Total	**(3,312)**	**(3,883)**
Credited to Services		
DWP - Housing Benefit Subsidy	(13,173)	(12,510)
EDF - Hinkley C S106 Contribution	(1,458)	(821)
DCLG - Community Housing Fund	0	(575)
DSS - Benefit Administration Grant	(174)	(146)
DHP Grant	(109)	(130)
HCA - Hinkley Housing Zone	0	(120)
NNDR Cost of Collection Grant	(75)	(75)
DCLG Benefit Admin Grant	(44)	(51)
Coast Communities Team	(114)	(50)
Steam Coast Trail	(46)	(34)
DWP - Universal Credit	(25)	(24)
DCLG - Data Sharing	0	(22)
Cuckoo Meadow	(18)	(20)
DWP Data Sharing	0	(20)
Rent Rebate Grant	(38)	(19)
DCLG - Custom Build Grant	0	(15)
DCLG - Brownfield Register	0	(15)
Home Office - Prevent Duty	0	(10)
DCLG - Transparency Code Set Up	(8)	(8)
Improvement & Development Agency Grant	0	(8)
Individual Electoral Registration	(11)	(7)
DCLG Self Build & Custom Building Register	0	(6)
DCLG Neighbourhood Planning	0	(5)
DCLG Land Charge Grant	(32)	(2)
Wellbeing Project	(20)	0
COOL Tourism Project	(19)	0
National Grid PPA	(16)	0
Groundwork Grant	(10)	0
Town & Parish Council Elections	(7)	0
CCTV Grant	(5)	0
DEFRA - Repair & Renewal Grant	(1)	0
Other Grants and Contributions	(21)	(4)
Total	**(15,424)**	**(14,697)**

38 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

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 it's 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 and housing benefits).

Members

Members of the Council have direct control over the Council's financial and operating policies. Members are required to observe the Code of Conduct for Councillors, register financial interests in the Council's Register maintained under S81(1) of the Local Government Act 2000.

There are no material related party transactions with members to disclose for 2016/17.

Officers

Officers are required to observe the Code of Conduct for Officers and register the receipt of any gifts/hospitality. The Council had no material related party transactions with officers during 2016/17.

During 2016/17 no senior officers of the Council declared any material pecuniary interest in any works, services or grants commissioned or awarded by the Council.

The Council is a member of the 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 Directors Resources and the Assistant Director Corporate Services are Directors of South West Audit Partnership Limited.

Grant payments, other than precepts were also made to parish councils where district council members are also parish council members. In all instances, the grants were made with proper consideration of declarations of interest. The relevant Members did not take part in any discussion or decision relating to the grants. The total paid to Parish Councils during 2016/17 other than precept payments amounted to £0.062m.

Related party transactions with the precepting bodies are disclosed on Page 76 within the Collection Fund Statement and with the pension fund which is on Pages 69-72, Note 42 respectively within the Statement of Accounts. The Council had no significant interest in companies.

Amounts due to or from those parties able to control or influence the Council or to be controlled / influenced by the Council during 2016/17 are as follows:

2015/16 £000		2016/17 £000
(4,973)	Amounts due to Central Government	(3,197)
(369)	Amounts due to other Local Authorities	(1,098)
3,095	Amounts due from Central Government	446
789	Amounts due from other Local Authorities	114
(1,458)		**(3,735)**

39 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), 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), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

2015/16 £000		2016/17 £000
5,633	**Opening Capital Financing Requirement**	**5,490**
	Capital Investment	
188	Property, Plant and Equipment	2
0	Investment Properties	0
77	Intangible Assets	0
339	Assets Held for Sale	20
1,219	Revenue Expenditure Funded from Capital under Statute	1,645
	Sources of finance	
(577)	Capital receipts	(23)
(143)	Minimum Revenue Provision Set Aside from Capital Receipts	(143)
(1,194)	Government grants and other contributions	(1,635)
	Sums set aside from revenue	
(52)	Direct revenue contributions	(9)
0	MRP	0
5,490	**Closing Capital Financing Requirement**	**5,347**
	Explanation of movements in year	
(143)	Increase / (Decrease) in underlying need to borrowing (unsupported by Government financial assistance)	(143)
(143)	**Increase/(decrease) in Capital Financing Requirement**	**(143)**

40 Leases

Council as Lessor

Operating Leases

The Council leases out various properties under operating leases for the following purposes:

- For the provision of community services, such as tourism services;
- For economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments due to West Somerset District Council under non-cancellable leases in future years are as follows:

	31 March 2016 £000	31 March 2017 £000
Not later than one year	101	100
Later than one year and not later than five years	369	350
Later than five years	2,279	2,198
Total	**2,749**	**2,648**

41 Termination Benefits

As part of the Joint Management and Shared Service (JMASS) partnership with Taunton Deane Borough Council, the Councils jointly terminated the contracts of 3 employees in 2016/17, compared to 2 in 2015/16, incurring liabilities of £0.024m (£0.079m in 2015/16). See Note 34 for further details regarding the number of exit packages and total cost per band.

42 Defined Benefit Pension Schemes

Participation in pension schemes

As part of the terms and conditions of employment of its officers, the Council used to make contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until shared service staff retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time shared service staff earn their future entitlement.

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

Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

Transactions relating Post-employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by shared service staff, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Transactions Relating to Post Employment Benefits	2015/16 £000	2016/17 £000
Comprehensive Income and Expenditure Statement		
Cost of Services		
- Service costs	0	0
- Administration expenses	9	10
Financing and Investment Income and Expenditure:		
- Net interest on the defined liability	542	523
Total Post Employment Benefits charged to the Provision of Services	**551**	**533**
Remeasurement of the net defined liability comprising:		
- Return on assets (excluding the amount included in the net interest expense)	(281)	2,410
- Change in financial assumptions	1,646	(5,371)
- Change in demographic assumptions	0	949
- Experience (gain) / loss on defined benefit obligation	(102)	(836)
- Liabilities assumed / (extinguished) on settlements	0	0
- Other actuarial (gains) / losses on assets	0	95
Total Post Employment Benefit Charged to the Income and Expenditure Statement	**1,263**	**(2,753)**
Movement in Reserves Statement		
- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	(551)	(533)
Actual amount charged against the General Fund balance for pensions in the year:		
- Employers contributions payable to scheme	344	396
- Retirement benefits payable to pensioners		

Pension Assets and Liabilities recognised in the Balance Sheet

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

Pensions Assets and Liabilities Recognised in the Balance Sheet	2015/16 £000	2016/17 £000
Present value of the defined benefit obligation	(25,715)	(30,402)
Fair value of plan assets (bid value)	11,656	13,580
Deficit/(Surplus)	(14,059)	(16,822)
Present value of unfunded obligation	(1,501)	(1,628)
Net liability arising from defined benefit obligation	**(15,560)**	**(18,450)**

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

Reconciliation of Fair Value of the Scheme Assets	2015/16 £000	2016/17 £000
Opening balance as at 1st April	**12,612**	**11,656**
Interest on assets	399	380
Return on assets less interest	(281)	2,410
Other actuarial gains/(losses)	0	95
Administration expenses	(9)	(10)
Contributions by employer including unfunded	344	396
Contributions by scheme participants	0	0
Estimated benefits paid plus unfunded net of transfers in	(1,409)	(1,347)
Settlement prices received/(paid)	0	0
Closing balance as at 31st March	**11,656**	**13,580**

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

Reconciliation of present value of the scheme liabilities	Funded liabilities: Local Government Pension Scheme	
	2015/16 £000	2016/17 £000
Opening balances as at 1 April	**(29,228)**	**(27,216)**
Current service cost	0	0
Interest cost	(941)	(903)
Change in financial assumptions	1,646	(5,371)
Change in demographic assumptions	0	949
Experience loss / (gain) on defined benefit obligation	(102)	(836)
Estimated benefits paid net of transfers in	1,325	1,261
Unfunded Pension Payments	84	86
Closing balance as at 31 March	**(27,216)**	**(32,030)**

Local Government Pension Scheme assets comprised:

LG Pension Scheme Assets	2015/16	2016/17
Equities	68%	71%
Gilts	8%	6%
Other bonds	11%	10%
Property	11%	9%
Cash	2%	4%
Total	**100%**	**100%**

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 the future years dependent on assumptions about mortality rates, salary levels etc.

The Peninsula Pensions administered pension fund liabilities have been estimated by Barnett Waddingham, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2016.

The significant assumptions used by the actuary have been:

Basis for Estimating Assets and Liabilities	2015/16	2016/17
Long-term expected rates of return on assets in the scheme:	0.0%	0.0%
Mortality assumptions:		
Longevity at 65 for current pensioners		
- Men	23.8	23.9
- Women	26.2	25.0
Longevity at 65 for future pensioners		
- Men	26.1	26.1
- Women	28.5	27.4
Rate of inflation - RPI	3.0%	3.4%
Rate of inflation - CPI	2.1%	2.5%
Rate of increase in salaries	3.9%	4.0%
Rate of increase in pensions	2.1%	2.5%
Rate for discounting scheme liabilities	3.4%	2.5%
Take up option to convert annual pension into retirement lump sum	10.0%	10.0%

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 project 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 Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Peninsula Pensions have agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 15 years. Funding levels are monitored on an annual basis.

The Council expects to pay £0.504m in contributions to the scheme in 2017/18.

Sensitivity Analysis	£000	£000	£000
Adjustment to discount rate	**0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	31,580	32,030	32,488
Projected service cost	0	0	0
Adjustment to long term salary increase	**0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	32,030	32,030	32,030
Projected service cost	0	0	0
Adjustment to pension increases and deferred revaluation	**0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	32,487	32,030	31,579
Projected service cost	0	0	0
Adjustment to mortality age rating assumption	**+1 Year**	**None**	**-1 Year**
Present value of total obligation	33,406	32,030	30,712
Projected service cost	0	0	0

43 Contingent Liabilities

As at 31 March 2017 the Council had the following contingent liabilities:

Business Rates Retention
The total provision for current and backdated appeals stands at £1.627m (£1.868m 2015/16) of this the Council share is £0.651m (£0.747m 2015/16). There could be future appeals in respect of rates billed to date but there is no reasonable basis of estimating what this total could be.

Clanville Housing
The Council continues to maintain its adopted Low Cost Home Ownership Scheme in respect of Clanville Grange in Minehead. In January 2014 the Council adopted a revised Affordable Home Ownership Policy such that in future it will continue to be required to re-purchase (at a discounted price) when owners wish to sell the properties but when they are sold on, they will be sold with a 25% discount and with a restrictive Covenant rather than a Deed of Pre-emption. This means that there will be no ongoing liability to the Council. During 2016/17 the Council were not called on to buy back any additional properties under the scheme. As at 31 March 2016 the Council still owned number 43 Clanville Grange; this was sold subject to contract with an anticipated completion date early in 2016/17 but the sale fell through and it was tenanted for the remainder of the financial year. A further sale is currently progressing and is due to complete early in 2017/18. Once sold this leaves six of the original eleven properties for which the Council has an on-going liability.

Municipal Mutual Insurance
In 1992/93 the Council's then insurer, Municipal Mutual Insurance Limited, ceased accepting new business and the Council was obliged to make new arrangements for insurance. A number of claims were outstanding at that time and, in common with many other local authorities, this Council joined in a scheme of arrangement to meet all outstanding claims. On 28 March 2012 the Supreme Court ruled that the insurer who was on risk at the time of an employee's exposure to asbestos was liable to pay compensation for the employee's mesothelioma. West Somerset Council is listed as Scheme Creditors party to the contingent Scheme of Arrangement sanctioned by the Court in January 1994. Municipal Mutual Insurance may therefore ask for West Somerset to pay a percentage of the paid out figure and may also ask for the same percentage figure as further claims are paid. It is not possible at this point in time to predict with any accuracy the potential contribution the Council may be required to pay.

Planning Fee Applications Guarantee
From 1 October 2013 any planning application 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. It is not possible to establish a reliable estimate for this liability as it is dependent on the planning applicant making a claim for a refund and there is no cut-off date of when a claim can be made.

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 27 February 2013, West Somerset District Council elected to become a Member of the Company – South West Audit Partnership Ltd – with effect from 1 April 2013.

44 Contingent Assets

Hinkley Point C
There are two s106 agreements in place, one in relation to the site preparation works planning permission granted by West Somerset Council in January 2012 and the other in relation to the development consent order granted by the Secretary of State in March 2013. Thus far, all contributions have been paid on time and in full. A total of £0.629m from both agreements was due to be paid in May 2017 and this has been received.

The payment which is due to be paid to West Somerset is largely triggered by 'transition' or anniversaries of 'transition'. The transition from the site preparation works planning permission to the development consent order took place in June 2016.

The Council will receive a minimum of £4.400m (maximum £5.651m) in total from the s106 relating to the development consent order. The payments are due over a number of years with the last one due in 2023.

45 Nature and Extent of Risks Arising From Financial Instruments

The Council's activities expose it to a variety of financial risks. The key risks are:

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

The 2016/17 Treasury Management Strategy which incorporated the prudential indicators was approved by Council on 24 February 2016 and is available on the Council website. The key issues within the 2016/17 strategy were:

- The Authorised Limit for 2016/17 was set at £10.000m. This is the maximum limit of external borrowings or other long-term liabilities.
- The Operational Boundary was expected to be £7.700m. This is the expected level of debt and other long-term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and fully based on the Council's net debt.

The Finance Team implement these policies. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

The risk is minimised through the Annual Investment Strategy which requires that deposits are not made with financial institutions unless they meet minimum credit criteria, as laid down by the credit agencies recommended by the Council's treasury advisors, Arlingclose. The Annual Investment Strategy also imposes a maximum sum to be invested with each financial institution.

The Council does not generally allow credit for its customers. The total Council debt due can be shown by the aged debt analysis as follows:

	31 March 2016	31 March 2017
Less than three months	179,253	260,248
Three to six months	30,082	87,620
Six months to one year	81,463	121,012
More than one year	550,207	343,353
Total	**841,005**	**812,232**

At the beginning of 2016/17 the provision for impairment of sundry debts (excluding council tax and business rates) stood at £0.404m. The Council has now made a provision for impairment of sundry debts of £0.382m in the 2016/17 accounts, which is an overall decrease of £0.022m. The revised level of provision has been reviewed in light of the current economic conditions.

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day-to-day cash flow need, and the PWLB (Public Works Loan Board) and money markets for access to longer-term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Market risk

Interest rate risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- **Borrowings at variable rates** – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- **Borrowings at fixed rates** – the fair value of the borrowing will fall (no impact on revenue balances);
- **Investments at variable rates** – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- **Investments at fixed rates** – the fair value of the assets will fall (no impact on revenue balances).

If all interest rates had been 1% higher (will all other variables held constant) the financial effect would be immaterial.

Price risk

The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

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 from taxpayers and distribution to Local Authorities and the Government of council tax and non-domestic rates.

2015/16 Business Rates £000	2015/16 Council Tax £000	2015/16 Total £000		2016/17 Business Rates £000	2016/17 Council Tax £000	2016/17 Total £000
			Income			
(8,762)	0	**(8,762)**	Business Rates Receivable	(13,500)	0	**(13,500)**
0	(20,233)	**(20,233)**	Council Tax Receivable	0	(21,609)	**(21,609)**
(8,762)	**(20,233)**	**(28,995)**	**Total Income**	**(13,500)**	**(21,609)**	**(35,109)**
			Expenditure			
			Apportionment of Previous Year Surplus:			
(187)	0	**(187)**	Central Government	(3,412)	0	**(3,412)**
(34)	363	**329**	Somerset County Council	(614)	69	**(545)**
0	60	**60**	Police and Crime Commissioner for Avon and Somerset	0	12	**12**
(4)	27	**23**	Devon and Somerset Fire and Rescue Authority	(68)	5	**(63)**
(150)	70	**(80)**	West Somerset Council	(2,729)	14	**(2,715)**
(375)	**520**	**145**		**(6,823)**	**100**	**(6,723)**
			Precepts and Demands:			
5,759	0	**5,759**	Central Government	5,458	0	**5,458**
1,037	13,781	**14,818**	Somerset County Council	982	14,583	**15,565**
0	2,345	**2,345**	Police and Crime Commissioner for Avon and Somerset	0	2,403	**2,403**
115	1,052	**1,167**	Devon and Somerset Fire and Rescue Authority	109	1,078	**1,187**
4,608	1,886	**6,494**	West Somerset Council	4,366	1,986	**6,352**
0	871	**871**	Parish Councils	0	904	**904**
11,519	**19,935**	**31,454**		**10,915**	**20,954**	**31,869**
			Charges to the Collection Fund:			
27	86	**113**	Write offs of uncollectable amounts	0	0	**0**
55	0	**55**	Increase/Decrease in Bad Debt Provision	64	125	**189**
1,150	0	**1,150**	Increase/Decrease in Provision for Appeals	(53)	0	**(53)**
(7,229)	0	**(7,229)**	Appeals Settled in Year	(186)	0	**(186)**
4,839	0	**4,839**	Transitional Protection Payments	170	0	**170**
27	0	**27**	Disregarded Amounts	29	0	**29**
75	0	**75**	Cost of Collection	73	0	**73**
(1,056)	**86**	**(970)**		**97**	**125**	**222**
1,326	**308**	**1,634**	**(Surplus) / Deficit for the year**	**(9,311)**	**(430)**	**(9,741)**
6,013	(489)	5,524	(Surplus) / Deficit b/fwd 1st April	7,339	(181)	7,158
7,339	**(181)**	**7,158**	**(Surplus) / Deficit c/fwd 31st March**	**(1,972)**	**(611)**	**(2,583)**
			Attributable to:			
3,669	0	**3,669**	Central Government	(986)	0	**(986)**
661	(126)	**535**	Somerset County Council	(177)	(426)	**(603)**
0	(21)	**(21)**	Avon and Somerset Police Authority	0	(70)	**(70)**
73	(9)	**64**	Devon and Somerset Fire and Rescue Authority	(20)	(31)	**(51)**
2,936	(25)	**2,911**	West Somerset Council	(789)	(84)	**(873)**
7,339	**(181)**	**7,158**		**(1,972)**	**(611)**	**(2,583)**

46 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 2015 introduced a business rates retention scheme that enables local authorities to retain a proportion of the business rates generated in their area. WSC pays 50% to Central Government, 9% to Somerset County Council, 1% to the Devon and Somerset Fire and Rescue Authority and retains 40% for itself.

The total non-domestic rateable value as at 31 March 2017 was 30,954,042 (31 March 2016 28,469,646). The standard national non-domestic multiplier for the year was £0.497 (2015/16 £0.493), the national domestic small business multiplier for the year was £0.484 (2015/16 £0.480).

47 Council Tax Base

The Council's tax base for 2016/17, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply), converted to an equivalent number of Band D dwellings, was calculated as follows:

Band	Chargeable Dwellings	Conversion Factor	Band D Equivalent
A (Disabled)	3.2	5/9	1.78
A	1,718.8	6/9	1,145.86
B	2,716.1	7/9	2,112.52
C	2,953.7	8/9	2,625.57
D	2,828.8	9/9	2,828.82
E	1,617.9	11/9	1,977.49
F	1,156.9	13/9	1,671.08
G	619.6	15/9	1,032.67
H	43.1	18/9	86.20
	13,658.1		**13,481.99**

Glossary of Terms

Local Government, in common with many specialised activities, has developed over the years its own unique set of terms and phrases. This glossary helps to identify some of those terms and phrases (more often than not abbreviated in common usage to initial letters only), 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 mechanism for allocating the cost of support services to front line and other services using appropriate bases to spread the cost fairly.

Asset
Something that West Somerset owns that has a monetary value. Assets are either 'current' or 'non-current'

- Current assets are assets that will be used, or will cease to have material value, by the end of the next financial year (e.g. debtors);
- Non-current assets provide West Somerset benefits for a period of more than one year.

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

Audit of Accounts
The examination by an independent expert of an organisation's financial affairs to check that the relevant legal obligations and the codes of practice have been followed.

Balances
The accumulated surplus of revenue income over expenditure.

Balance Sheet
A financial statement summarising the Council's assets, liabilities and other balances at the end of each accounting period.

Budget
A financial statement that expresses an organisation's service, delivery plans and capital programmes in monetary terms.

Capital Adjustment Account
The Capital Adjustment Account is a reserve created from the balances on the Capital Financing Account and Fixed Asset Restatement Account as at 31 March 2007. This account will continue to record the consumption of historic cost over the life of the asset and Revenue Expenditure Funded from Capital under Statute over the period that the council benefits from the expenditure. The account will also record the resources set aside to finance capital expenditure.

Capital Charges
Capital charges are a charge to services for the use of non-current assets in the provision of their services; the charges reflect depreciation and impairment.

Capital Contributions/Grants
The monies received from external bodies towards the financing of capital expenditure on a particular service or scheme.

Capital Expenditure (Outlay)
The acquisition of a non-current asset that will be used to provide services beyond the current accounting period or expenditure that adds value to an existing non-current asset.

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

Capital Programme
The capital programme is a financial summary of the capital schemes that West Somerset intends to carry out over a specified time period.

Capital Receipts
The proceeds from the sale of capital assets; they are available to repay debt on existing assets and/or to finance new capital expenditure within rules set by the Government.

Carry Forwards
Unspent revenue budget approvals, which the Council's appropriate committee is able to transfer into the following financial year.

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

Cash Flow Statement
A summary of the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes.

Central Government Grants
Central Government Grants comprise three types:

- Grants paid by Central Government to aid local council services in general, as opposed to specific grants, which may only be used for a specific purpose. Revenue Support Grant (RSG) and New Homes Bonus. RSG makes up the difference between expenditure at the formula spending share and the amount, which would be collected in council tax for that level of expenditure and the amount of non-domestic rate redistributed. New Homes Bonus is to reward local authorities for improved delivery of housing and other planning outcomes as part of their strategic place shaping role and to provide more support to communities and local councils who are actively seeking to deliver new homes.

- Specific service grants –grants for services in which Central Government have a more direct involvement.

- Supplementary grants – grants for both capital and revenue

Chartered Institute of Public Finance and 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.

Code
The Code of Practice of Local Authority Accounting that is generally based upon those accounting principles that are incorporated within approved accounting standards, modified to reflect the statutory framework in which local authorities operate. The Code states which accounts should be published as part of the Statement of Accounts, and the information to be included in each account.

Collection Fund
Statutory funds recording the expenditure and income relating to council tax, non-domestic rates and residual community charge.

Collection Fund Adjustment Account
The Collection Fund Adjustment Account represents the Council's share of the Collection Fund Surplus or Deficit.

Community Assets
Assets held in perpetuity and which have no determinable useful life and there are often restrictions regarding their sale.

Comprehensive Income and Expenditure Statement (CIES)
A statement that consolidates all the gains and losses experienced by a council during the financial year.

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 cost of these activities is over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no appropriate basis for apportioning these costs to 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
The amounts of money West Somerset owes to others for goods and services that they have supplied in the accounting period but not paid for.

Debtors
The amounts of money others owe to West Somerset for goods and services that they have received but have not paid for by the end of the accounting period.

Depreciation
The charge made to the revenue account each year that reflects the reduction in the value of land, property, plant, ICT equipment and machinery used to deliver services.

Derecognition
The term used for the removal of a financial instrument from the balance sheet. This will normally occur when the contractual rights to the cash flows arising from the instrument expire or are transferred.

Earmarked Revenue Reserves
The amounts set aside from revenue to meet particular spending needs, including funding capital projects.

Effective Interest Rate
The rate of interest that will discount all the cash flows that will take place throughout the expected life of a financial instrument down to the fair value of the instrument calculated at initial measurement.

Employment Costs
The salaries and wages etc., of staff including expenditure on training and the costs of redundancy.

Fair Value (Financial Instruments)
The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. If available, this will be a published price quotation in an active market; otherwise, alternative valuation techniques will be employed.

Fair Value (Tangible Assets)
The price at which an asset could be exchanged in an arm's-length transaction less, where applicable, any grants receivable towards the purchase of use of that asset.

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

Finance Leases
Those leases, which transfer substantially the benefits and risks of ownership of the asset that is being leased to the party who is leasing the asset.

Financial Instruments
Any contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another. In practice these include bank deposits, loans, investments, borrowings and other receivables or payables.

Financing Transactions
Transactions that relate, in the main, to interest payments and receipts associated with the management during the year of the Council's cash flow and reserves.

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

Housing Benefits
The national system for giving financial assistance to individuals towards certain housing costs. West Somerset District Council administers the scheme for West Somerset residents. The Government subsidises the cost of the service.

Impairment
The reduction in the value of a non-current asset as shown in the balance sheet to reflect its true value.

Income
The amount, which the Council receives, or expects to receive, from any source; service committee revenue income includes grants, sales, rents and fees and charges.

Infrastructure
Those assets, which do not have a realisable value and include roads and footpaths.

Internal Service Recharge
Is a recharge from a department that provides professional and administrative support to other internal services.

International Financial Reporting Standards (IFRS)
The International Financial Reporting Standards advising the accounting treatment and disclosure requirements of transactions so that a council's accounts 'present fairly' the financial position of the council.

Investment
The lending of surplus money to another party in exchange for interest.

Investment Property
Property held exclusively for revenue generation for capital gains that the assets is expected to generate.

Liabilities
Must be included in the financial statements when West Somerset District Council owes money to others. There are different types of liability:

- A current liability is a sum of money that will or might be payable during the next accounting period. e.g. creditors or cash overdrawn.

- A deferred liability is a sum of money that will not be payable until some point after the next accounting period or is paid off over a number of accounting periods.

Loans and Receivables
Financial instruments that have fixed or determinable payments and are not quoted in an active market.

Long-term Investments
Those investments which are intended to be held on a continuous basis for the activities of the Council.

Materiality
One of the main accounting concepts. It ensures that the statement of accounts includes all the transactions that, if omitted, would lead to a significant distortion of the financial position at the end of the accounting period.

Minimum Revenue Provision (MRP)
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.

Movement in Reserves Statement (MIRS)
The movement in the year on the different reserves held by the Council, analysed into 'usable reserves' and 'unusable reserves'.

Net Book Value
The Balance Sheet amount of non-current assets and represents their historical cost or current replacement value less cumulative depreciation provisions.

Net Current Replacement Cost
The cost of replacing an asset in its existing condition and use.

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

Non-Current Asset
An item of worth, which is measurable in monetary terms and provides benefit for more than the period of account – see also Capital Expenditure.

Non-Current Asset Held for Sale
A non-current asset that becomes available for sale and it is probable that the carrying amount of that asset will be recovered through a sale transaction rather than though its continuing use.

Non-Operational Assets
Those assets, which are not directly used in the provision of services and mainly comprise those assets, which are surplus to requirements and held pending disposal.

Operational Assets
Those assets e.g. land and buildings, used in the direct provision of services.

Operating Leases
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.

Other Operating Costs
Includes expenditure on buildings, fuel, light, rent, rates, and purchase of furniture and equipment.

Precept
The means by which Somerset County Council; Police and Crime Commissioner for Avon and Somerset; Devon and Somerset Fire and Rescue Authority and the parishes obtain their revenue income from the District Councils' Collection Fund.

Provisions
Amounts set aside to meet costs which are likely or certain to be incurred, but are uncertain in value or timing.

PWLB
The Public Works Loan Board, a Government agency that lends money to the public sector.

Rateable Value
The annual assumed rental value of a property that is used for business purposes.

Related Parties
Are when at any time during the financial period:

- One party has direct or indirect control of the other party
- The parties are subject to common control from the same source
- One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing its own interests
- The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own interests.

Related Party Transactions
The transfer of assets or liabilities, or the performance of services by, to or for a related party irrespective of whether or not a charge is made.

Remuneration
Includes taxable salary payments to employees, together with non-taxable payments on termination of employment (including redundancy, pension enhancement payments, and pay in lieu of notice), taxable expense allowances and any other taxable benefits.

Reserves
The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at West Somerset's discretion.

Residual Value
The value of an asset at the end of its useful life.

Revaluation Reserve
Records the unrealised revaluation gains, arising since 1 April 2007 from holding non-current assets. Previously such gains were credited to the Fixed Asset Restatement Account.

Revenue Expenditure
The day-to-day spending on salaries, maintenance of assets, purchase of stationery etc. after deducting income such as fees and charges.

Revenue Expenditure Funded 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)
A general grant paid by the Government to local authorities as a contribution towards the cost of their services.

Usable Reserves
The reserves that can be applied to fund expenditure or reduce local taxation.

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