West Somerset Council Statement of Accounts 2013/14

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Explanatory Foreword

Introduction to West Somerset

Bordering the Bristol Channel, West Somerset benefits from some of the most scenic landscape in England. Two thirds of Exmoor National Park lies within its boundary, as do the Quantock Hills; an Area of Outstanding Natural Beauty. Large amounts of both areas are designated sites of special scientific interest due of their value to wildlife.

Whilst West Somerset covers a large area (740 square kilometres), just 35,000 people share it with the wildlife, making West Somerset one of the most sparsely populated districts in England (0.5 people per hectare compared with England & Wales average of 4). Half of those people live along the narrow coastal strip in the settlements of Minehead, Watchet and Williton. The remainder live in small villages and hamlets dispersed throughout the district and the town of Dulverton situated in the Exmoor National Park.

The economy of West Somerset is heavily dependent upon tourism and during the peak season, the population of the district swells considerably with the influx of many hundreds of thousands of visitors.

According to the 2011 census 29% of the population of West Somerset is over 65, against an England and Wales average of 16.5%.

This diverse profile of service users gives West Somerset Council an almost unique customer base. As it develops services over time, the council continuously needs to take account of this special blend of residents and visitors.

The Council employs 82.1 full-time equivalent staff, of whom 8.4 are dedicated to work relating to Hinkley Point. They work together with 28 Councillors to deliver a wide range of services to people in West Somerset. West Somerset Council currently collaborates with a variety of organisations to ensure services are delivered as efficiently as possible. The number of partnerships and contracted services in operation mean the council is an example of a 'commissioning' organisation that relies on a central core of officers to coordinate and monitor services. Services delivered in this way include: -

- Waste collection and recycling
- Street Cleansing
- Public convenience cleaning
- Housing benefit processing
- Legal services
- Tourist information
- Harbour and marina operations
- Strategic Housing services
- Internal Audit
- Private Sector Housing
- Human Resources

A Summary of The Council's Financial Performance 2013/14

This foreword 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 2014/15 and beyond.

The Financial Statements

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

- The **Movement in Reserves Statement** (page 13) shows the changes in the Council's financial resources over the year, by showing the movement on the different reserves held, analysed into 'usable reserves' (that can be used to fund spending) or other reserves.

- The **Comprehensive Income and Expenditure Statement** (page 14) brings together details of the Council's day-to-day revenue spending and income on its services, and other gains and losses in the year.
- The **Balance Sheet** (page 15) 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 16) summarises the flows of cash into and out of the council during the year.
- The **Notes to the Financial Statements** (pages 17-54) provide supplementary information on some of the figures contained within the primary statements. They also include accounting policies, which guide the treatment of income and expenditure, and disclosures relating to the assets and liabilities of the Council.

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

Financial Overview

General Fund Revenue Budget and Reserves

The Council's Final Net Budget for 2013/14 is £5.306m representing the net cost of General Fund services funded by grants, council tax and retained business rates funding, as shown in the following table.

In setting the budget for 2013/14 the Council agreed to a Council Tax increase of 3.7%. This meant the annual Band D Council Tax charge for services provided by the Council is set at £137.82m.

The Council's net expenditure is £5.253m, producing an underspend on cost of services of £0.053m. There were also surplus government grants received during the year of £0.048m, providing a net underspend of £101k (1.9%).

	£000
Revenue Support Grant	1,579
Business Rates Retention	1,241
New Homes Bonus Grant	384
Other General Government Grants	330
Previous Years Collection Fund Surplus	-
Council Tax	1,772
Net Expenditure Budget	5,306

The net underspend arose due to variances against several budget areas. The most significant underspends have been reported against Revenues & Benefits, Open Spaces, Finance, Information Technology and Development Control. These together with other smaller underspends have enabled to the Council to offset budget overspends/shortfalls in arriving at the net position. The most significant budget pressure in the year relates to Temporary Accommodation and Community Safety. The following table provides a summary of the financial results for the year compared to budget.

General Fund Outturn 2013/14	Budget £000	Actual £000	Variance £000	Variance %
Net Expenditure on Services	5,057	4,997	(60)	(1.2)
Other Operating Costs and Income	50	57	7	1.4
Net Transfer to Earmarked Reserves	276	276	0	0.0
Net Transfer from General Reserves	(102)	(102)	0	0.0
Capital Financing and Debt Repayment	25	25	0	0.0
Net Budget before Funding	**5,306**	**5,253**	**(53)**	**(1.0)**
Funding	(5,306)	(5,354)	(48)	(0.9)
Net Variance	**0**	**(101)**	**(101)**	**(1.9)**

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

The General Fund Reserves have increased from £0.991m at the start of the year to £0.992m as at 31 March 2014, a net increase of £0.001m in the year. Later in this foreword I explain the financial challenges and risks faced by the Council. Having reserves at this level provides some resilience as the Council takes the necessary steps to continue to maintain 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 as at 31

March 2014 stands at £1.376m. This balance covers a wide variety of planned spending requirements, including: council tax reform and hardship, Working Neighbourhoods Fund, New Homes Bonus reserves, Joint Management and Shared Services restructuring and transformation costs, homeless prevention, and a wide variety of other projects and sustainability initiatives.

Capital Spending and Reserves

In addition to our spending on day-to-day service provision, the Council spends money on assets such as buildings, public conveniences, asset disposal costs, IT equipment and systems, and provision of capital grants to others such as disabled facilities and decent homes grants. Capital expenditure in the year totalled £1.101m (£0.825m in 2012/13).

Summary Capital Spending	**£000**	**Funded by**	**£000**
Housing acquisition	194	Capital receipts	615
Disabled facilities grants	233	Government grants and other contributions	486
Housing standards (decent homes)	34		
Coastline and harbours	34		
S106 community schemes	274		
IT systems and hardware	170		
CCTV equipment	19		
Asset disposal costs	75		
Various other schemes	68		
	1,101		**1,101**

Overall the Council has sufficient resources available to meet its approved capital programme in 2014/15 but recognises that significant further funds will be required to meet all our future aspirations.

Capital reserves reflect funds set aside to fund investment in capital items in future years, and largely comprise grants, contributions and capital receipts. The Council currently holds £0.925m of capital reserves, providing funding for the 2014/15 Capital Programme. Within the capital strategy and asset management plan is the planned sale of surplus council assets, notably land at Seaward Way in Minehead and the old Aquasplash site. These receipts will be primarily used to repay borrowing, both externally and internally. Additional capital receipts will be used to fund ongoing capital expenditure.

Pensions

In accordance with financial reporting standards, West Somerset Council has to disclose its long-term liability to pay retirement benefits to its current and former employees. This liability will eventually be discharged through increased contributions, as calculated by the Pension Scheme's Actuary. Statutory arrangements for funding this shortfall means that the Council's own financial position is not weakened by the disclosure.

The Council's share of the overall Pension Fund deficit decreased from £18.767m at 31 March 2013 to £17.136m at 31 March 2014. The deficit has decreased by 8.7%, which is largely due to an increase in actuarial gains on pension assets.

In recent years, the level of reported pension deficit has changed significantly from year to year, reflecting the sensitivity to changes in actuarial assumptions and market conditions. Despite the changes in valuation, this is a real liability that has resulted from pension entitlement earned by employees. The liability appears in the Council's Balance Sheet but any immediate impact on levels of Council Tax is neutralised by a matching Pensions Reserve.

Treasury Management and Capital Resources

At 31 March 2014, the Council did not hold any long term investments, but had a balance of £2.153m (£1.217m at 31 March 2013) in 'cash and cash equivalents' – cash and the bank current account plus short term deposits. The return on short term investments and deposits included in the revenue accounts amounted to £0.016m (£0.021m in 2012/13). This level of return reflects low investment interest rates and modest cash balances invested during the year.

Total borrowing amounted to £3.500m at 31 March 2014 (£3.500m at 31 March 2013) which is owed to the Police & Crime Commissioner for West Yorkshire. This loan is repayable in August 2014, and the Council may need to re-finance depending on the timing and value of capital receipts generated from planned asset disposals. The cost of borrowing and management of debt charged to the revenue accounts during 2013/14 was £0.073m (£0.053m in 2012/13). The cost of borrowing is relatively low currently due to low interest rates.

Although proactive treasury management continues to ensure that the Council minimises its interest payable on external borrowings, and invests any temporary cash surpluses to generate investment income, the net impact of this continues the trend from the previous financial year and remains low given the current historically low level of interest rates. Like all Councils we are facing increased treasury management risks, mainly within to the Eurozone, and finding a safe place to invest any surplus cash is becoming harder. The investment strategy is to spread this risk wider with the preservation of cash at the heart of any investment decision.

The Council's Capital Financing Requirement (CFR), which is effectively our underlying need to borrow for capital purposes, is summarised in the table below. As the table shows, it has only been necessary to externalise debt for part of the CFR amount, as we have been able to use internal cash balances without the need to take out loans from financial institutions.

	Total £000
Capital Financing Requirement 1 April 2013	7,658
Provision for debt repayment during the year	(25)
New expenditure funded through borrowing	0
Capital Financing Requirement 31 March 2014	7,633
Externalised capital borrowing ("External Borrowing")	3,500
Expenditure financed by internal cash resources ("Internal Borrowing")	4,133
Total Borrowing Requirement	7,633

Any material and unusual charge or credit in the accounts
2013/14 is the first year of the new Business Rates Retention funding system. As part of this system the council is required to make a provision for appeals and refunds to business rate payers from the Collection Fund. West Somerset's share of this provision in 2013/14 totals £0.740m relating to refunds for 2013/14 and backdated to earlier years. This equates to a 40% share. The total provision shown within the Collection Fund Statement is £1.850m.

Significant provisions or contingencies and material write-offs
There have been no significant contingencies or material write-offs during 2012/13. There is a material provision in respect of business rates appeals refunds – see previous paragraph.

Any material events after the reporting date
There have been no material events to report after the reporting date.

Important Developments and Looking To The Future

Joint Management and Shared Services with Taunton Deane Borough Council

West Somerset Council, like most local authorities, is facing significant financial challenges. Cuts to funding from Government and the wider recession have placed the Council in a difficult position. One of the strategies for achieving a sustainable future for West Somerset was to explore opportunities for Joint Management and Shared Services between councils. In March 2013, this Council committed itself to a project to explore opportunities for TDBC and West Somerset to work together, and the Councils prepared a Strategic Business Case to explore whether joint working would help both Councils achieve:

- A sustainable future for both democratically-independent organisations
- Reduced net costs – major financial savings (reduced staff numbers, reduced duplication of systems and processes)
- Improved resilience – protecting each Council further against the risk of service failure
- Effective, efficient and affordable service delivery (developing a flexible approach to service delivery)

The Strategic Business Case has been developed and approved by both Councils to support the vision of:

- A single, fully-merged, affordable Officer structure serving two separate, sovereign Councils each responsible for the government of their own area, acting independently of each other much of the time
- The ability for Members to make local decisions on the quality and level of service will be preserved.

In addition, it is hoped that the joint working arrangements could progress some other ambitions for the Councils such as retaining local employment and promoting high quality customer access (retaining face-to-face presence in both localities). The business case will deliver savings for both Councils, with expected annual savings of £0.300m by 2015/16 for this Council, which will be built into our budget.

Following the implementation of the Joint Management Structure and the delivery of shared services between West Somerset and Taunton Deane, the Councils will focus on the transformation of services to further meet the ambitions of the Councils and provide further opportunities for savings.

NB. We have jointly received a Transformation Grant of £0.750m from Government (£0.600m to TDBC and £0.150m to WSDC), to help fund our transformation agenda.

Budget Challenges

For 2014/15 the Council has approved a budget of £5.251m, and has implemented a Council Tax Freeze retaining the basic Council Tax Band D Tax at £137.88. The Net Budget for the year is summarised as follows:

	£000
Cost of Services	5,116
Financing costs	228
Earmarked reserve transfers	228
General reserve transfers	(321)
Net expenditure	5,251
Revenue support grant	1,225
Retained business rates funding	1,526
New homes bonus	444
Other general grant funding	233
Previous Year’s Collection Fund Surplus	0
Council Tax	1,823
Net Funding	5,251

With the ongoing pressure on the wider economy, the Government has been clear on the continued need for cuts in public sector spending. Formula grant has again been cut in 2014/15 by some £0.357m (15.5%). New Homes Bonus has increased by £0.060m (15.6%) related to housing growth in the district. This mitigates the reduction in general funding but does not eliminate it. Provisional funding for 2015/16 indicates a further reduction of £0.328m (9.7%) in our funding baseline next year.

The Medium Term Financial Plan demonstrates the scale of the projected financial challenge, with an estimated cumulative Budget Gap of £1.198m to be addressed by 2018/19.

New Homes Bonus Grant has become a significant element of the Council’s funding streams. The amount of Grant we receive is based on growth in housing, with extra funding related to growth in affordable housing. The Grant in 2014/15 is £0.444m (2013/14 £0.384m), and this is projected to potentially rise to between £0.600m and £0.800m per year by 2017.

Business Rates Retention

The Local Government Finance Act introduced the business rates retention scheme altering the way in which local authorities are funded. This has seen a move away from the current needs-based formula funding arrangement to one that provides a strong incentive for local authorities to go for growth. 2013/14 has seen the introduction of the Scheme, which passes some of the risks and rewards for Business Rates growth from central to local government under the Localism agenda.

In establishing the new arrangements the Government has set a Business Rates Baseline assessment. For every £1 of additional Business Rates collected above this baseline, the Council will keep 20p (the remainder is passed to Central Government, the County Council and Fire Authority). However, if Business Rates yield falls below the baseline our residual funding is reduced by 40p in every £1. This places a strong link between local funding and the incentive to sustain and grow the local economy. The following table summarises the distribution of Business Rates in 2013/14.

	£000
Net Business Rates Yield	(10,387)
Amount paid to Central Government (Standard Share of 50% plus tariff plus levy)	8,348
Amount paid to County Council and Fire Authority	1,039
Retained Business Rates by West Somerset Council	**(1,000)**
Section 31 Grant – Funding for Reliefs	(249)
Net Retained Business Rate Funding	**(1,249)**

Localised Support for Council Tax (Council Tax Rebate Scheme)

At the Spending Review 2010 the Government announced that it would localise support for Council Tax from April 2013, reducing expenditure by 10%. The Welfare Reform Act 2012 contains provisions for the abolition of Council Tax Benefit, and subsequently the Local Government Finance Bill (introduced to Parliament 19 December 2011) imposed a duty on billing authorities to make a localised Council Tax Reduction Scheme (CTRS) by 31 January 2013. Working in collaboration with the County Council and other Somerset district Councils, WSC approved a new local Council Tax Support Policy for 2013/14, which resulted in a range of Council Tax discounts being available instead of the previous Benefit regime. Previously the Government provided a subsidy to fully reimburse the Council for the cost of benefits paid out, but from April 2013 the Government included a fixed grant amount within the Finance Settlement. This amount, which was £0.258m for 2013/14, formed part of the funding allocation received via Revenue Support Grant and the Retained Business Rates Baseline (see above).

Whereas previously the cost of Council Tax Benefit was accounted for wholly by West Somerset Council, as the billing authority for the area, the new arrangements mean that the major precepting authorities - Somerset County Council, Devon & Somerset Fire & Rescue Authority, and the Police Authority – also receive a fixed grant from Government and account for "their share" of Council Tax discounts. Any difference between the costs of the local scheme and the grant received will therefore be met by this Council and the other precepting authorities.

Further Information

Further information about these accounts is available from: Corporate Finance, West Somerset Council, West Somerset House, Killick Way, Williton, Somerset, TA4 4QA. Email: customerservices@westsomersetonline.gov.uk

The rights of interested persons to view the accounts are statutorily defined and the dates on which the accounts are available for inspection are advertised in the local press and on the Council's website.

Shirlene Adam, FCCA
Director of Operations & Deputy CEO (Section 151 Officer)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST SOMERSET DISTRICT COUNCIL

Opinion on the Authority financial statements

We have audited the financial statements of West Somerset District Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and 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 2013/14.

This report is made solely to the members of West Somerset District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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 Director – Operations and auditor

As explained more fully in the Statement of the Director – Operations Responsibilities, the Director – Operations 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, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law 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 Director – Operations and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the foreword 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:

- give a true and fair view of the financial position of West Somerset District Council as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with ‘Delivering Good Governance in Local Government: a Framework’ published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place 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 arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for 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 2014.

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 had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, West Somerset District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

We certify that we have completed the audit of the financial statements of West Somerset District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

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

Hartwell House
55-61 Victoria Street
Bristol
BS1 6FT

26 September 2014

The Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to -

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

The Director of Operations is required to:

The Director of Operations is responsible for the preparation of the Authority'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 Director of Operations 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 Director of Operations 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 Section 151 Officer

I certify that this Statement of Accounts gives a true and fair view of the financial position of West Somerset Council at 31 March 2014 and of its expenditure and income for the year ended 31 March 2014.

Shirlene Adam, FCCA
Director of Operations
Section 151 Officer

Date: 22nd September 2014

Movement In Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'.

The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	Notes	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2012		**934**	**1,278**	**1,511**	**266**	**3,989**	**(4,617)**	**(628)**
Movement in Reserves during 2012/13								
Surplus (or Deficit) on the provision of services		(1,723)				**(1,723)**		**(1,723)**
Other Comprehensive Income and Expenditure		0				**0**	**621**	**621**
Total Comprehensive Income and Expenditure		**(1,723)**	**0**	**0**	**0**	**(1,723)**	**621**	**(1,102)**
Adjustments between accounting basis and funding basis under regulations	**8**	1,602		(216)	(50)	**1,336**	(1,336)	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves		**(121)**	**0**	**(216)**	**(50)**	**(387)**	**(715)**	**(1,102)**
Transfers to/(from) Earmarked Reserves	**9**	178	(178)			**0**		**0**
Increase / (Decrease) in 2012/13		**57**	**(178)**	**(216)**	**(50)**	**(387)**	**(715)**	**(1,102)**
Balance at 31 March 2013 Carried forward		**991**	**1,100**	**1,295**	**216**	**3,602**	**(5,332)**	**(1,730)**
Movement in Reserves during 2013/14								
Surplus (or Deficit) on the provision of services		(1,130)				(1,130)		(1,130)
Other Comprehensive Income and Expenditure		0				0	2,686	2,686
Total Comprehensive Income and Expenditure		**(1,130)**	**0**	**0**	**0**	**(1,130)**	**2,686**	**1,556**
Adjustments between accounting basis and funding basis under regulations	**8**	1,407		(509)	(77)	821	(821)	0
Net Increase/Decrease before Transfers to Earmarked Reserves		**277**	**0**	**(509)**	**(77)**	**(309)**	**1,865**	**1,556**
Transfers to/(from) Earmarked Reserves	**9**	(276)	276					
Increase / (Decrease) in 2013/14		1	**276**	**(509)**	(77)	(309)	1,865	1,556
Balance at 31 March 2014 Carried forward		**992**	**1,376**	**786**	**139**	**3,293**	**(3,466)**	**(173)**

Comprehensive Income and Expenditure Statement

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

2012/13 (Restated) Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Notes	2013/14 Gross Expenditure £000	Gross Income £000	Net Expenditure £000
3,745	(3,371)	374	Central Services to the Public		607	(298)	309
876	(130)	746	Cultural & Related Services		730	(85)	645
2,453	(270)	2,183	Environmental & Regulatory Services		2,457	(225)	2,232
400	(499)	(99)	Highways and Transport Services		303	(493)	(190)
14,768	(14,093)	675	Other Housing Services		15,536	(14,781)	755
2,616	(1,050)	1,566	Planning Services		2,162	(1,001)	1,161
1,114	(13)	1,101	Corporate and Democratic Core		1,190	(173)	1,017
0	0	0	Non Distributed Costs		162	0	162
25,972	**(19,426)**	**6,546**	**Costs of Services**		**23,147**	**(17,056)**	**6,091**
867	0	867	Other Operating Expenditure	**10**	858		858
823	(613)	210	Financing and Investment Income and Expenditure	**11**	850	(191)	659
	(5,900)	(5,900)	Taxation and Non-Specific Grant Income	**12**		(6,478)	(6,478)
		1,723	**(Surplus) or Deficit on Provision of Services**				**1,130**
		(1,550)		**25**			(130)
		929	Actuarial (gains)/losses on pension assets/liabilities	**27**			(2,556)
		(621)	**Other Comprehensive Income and Expenditure**				**(2,686)**
		1,102	**Total Comprehensive Income and Expenditure**				**(1,556)**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority.

Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).

The second category of reserves, are those that the Authority 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 2013 £000		Notes	31 March 2014 £000
14,979	Property, Plant & Equipment	**13**	14,362
3,349	Investment Properties	**14**	3,075
0	Intangible assets	**15**	51
16	Long-term Debtors	**18**	5
18,344	**Long Term Assets**		**17,493**
2,842	Assets Held for Sale	**17**	3,787
1,217	Short Term Debtors	**19**	2,368
931	Cash and Cash Equivalents	**20**	2,153
4,990	**Current Assets**		**8,308**
(6,081)	Short Term Creditors	**21**	(7,828)
(3)	Provisions	**22**	(743)
(6,084)	**Current Liabilities**		**(8,571)**
(18,767)	Other Long Term Liabilities	**23**	(17,136)
(213)	Capital Grants Receipts in Advance	**23**	(267)
(18,980)	**Long Term Liabilities**		**(17,403)**
(1,730)	**Net Assets**		**(173)**
(3,602)	Usable Reserves		(3,293)
5,332	Unusable reserves	**24**	3,466
1,730	**Total Reserves**		**173**

I confirm that this Statement of Accounts was approved by the Audit Committee at its meeting on 22nd September 2014.

Signed: Date: 22nd September 2014

Cllr Susan Goss
Chair of Audit Committee

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority.

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

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

2012/13 (Restated) £000		Notes	2013/14 £000
(1,723)	**Net surplus or (deficit) on the provision of services**		**(1,130)**
1,171	Adjustments to net surplus or deficit on the provision of services for non cash movements	**30**	2,827
(88)	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities	**31**	(106)
(640)	**Net cash flows from Operating Activities**		**1,591**
(289)	Investing Activities	**33**	(369)
0	Financing Activities		0
(929)	**Net increase or decrease in cash and cash equivalents**		**1,222**
1,860	Cash and cash equivalents at the beginning of the reporting period	**20**	931
931	**Cash and cash equivalents at the end of the reporting period**	**20**	**2,153**

Notes to the Financial Statements

1 Accounting Policies

General Principles

The Statement of Accounts summarises the Authority's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14, 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.

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 Authority 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 Authority.
- Revenue from the provision of services is recognised when the Authority 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 Authority.
- 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.

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 are readily convertible to known amounts of cash with insignificant risk of change in value. West Somerset Council will include 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 Authority's cash management.

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

Charges to Revenue for Non-Current Assets
Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

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

The Authority 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 Authority 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.

Employee Benefits

Benefits Payable During Employment
Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave 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 Authority.

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.

Termination Benefits
Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.
Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority 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 Authority are members of the Somerset County Local Government Pension Scheme administered by Peninsula Pensions. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees working for the Authority.

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

- The liabilities of the 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 4.5% (based on the annualised yield at the 19 years point on the Merill Lynch AA rated Corporate Bond curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the employers liabilities).
- The assets of the pension fund attributable to West Somerset are included in the Balance Sheet at their fair value and include quoted securities and unitised securities at current bid price, unquoted securities at professional estimate and property at 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 Account to the services for which the employees worked
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services line in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Net interest on the net defined benefit liability – i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (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 at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurements comprising:

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

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

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority 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 Authority 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.

Events after the Balance Sheet Date

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date 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.

Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority 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.

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

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

Financial Assets

Financial assets are classified into two types:

- **Loans and receivables** – assets that have fixed or determinable payments but are not quoted in an active market
- **Available-for-sale assets** – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority 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 Authority 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.

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 Authority when there is reasonable assurance that:

- The Authority 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.

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.

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

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

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

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

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, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length.

Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains 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.

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.

<u>The Authority as Lessee</u>

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

Lease payments are apportioned between:

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

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

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

Operating Leases
Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease.

The Authority as Lessor

Finance Leases
Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases
Where the Authority 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.

Overheads and Support Services
The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/14 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation.
- Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

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 Authority 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 all expenditure that is directly attributable to bringing the asset into working condition for its intended use (such as 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).

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

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

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

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. A revaluation of Land and Buildings, Investment Properties, Surplus Assets not held for sale and Surplus Assets held for sale by a qualified valuer took place as at 31 March 2014. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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 the 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.

Capital expenditure incurred in enhancing assets or increasing their useful life is classed as enhancing expenditure.

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 assets with a determinable finite life (except for investment properties), by allocating the value of the assets in the balance sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the life of the property as estimated by the Valuer. The useful economic lives of the assets held as operational buildings, as determined by the District Valuer, range 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.

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.

Amounts received for a disposal in excess of £0.010m are categorised as capital receipts and credited to the Capital Receipts Reserve which can then only be used for new capital investment [or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. If the proceeds are £0.010m or less, they are not treated as capital receipts but are instead credited to revenue.

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

Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority 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 Authority 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 Authority 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 Authority settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority 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 Authority. 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 Authority 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 Authority.

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.

Reserves

The Authority 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.

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

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 Authority 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.

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 from income.

Related Party Transactions

The Authority 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

The Collection Fund

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

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

Accounting for Council Tax

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

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

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

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

Accounting for National Non-Domestic Rates (NNDR)
The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area. The new arrangements for the retention of business rates came into effect on 1 April 2013. As a billing authority we must include on the Balance Sheet the following:

- Our share of non-domestic rates debtors (net of the impairment allowances for doubtful debts)
- Our share of creditors for overpaid/pre-paid non-domestic rates
- A debtor for each major preceptor and Central Government for cash paid to them in advance of receipt from non-domestic rate payers
- A creditor for rates collected and not paid for
- A debtor/creditor for the difference between safety net payments made on account and the actual safety net payment due
- A creditor for the actual levy payment due.
- A provision for refunding ratepayers, who have successfully appealed against the rateable value of their properties on the rating list. This will include amounts relating to non-domestic rates charged to businesses in 2012/13 and earlier financial years.

2. Prior-period adjustments

The accounting standard IAS 19 – Employee Benefits has changed.

Treatment of Pension Administration Costs
The standard requires that administration costs directly related to the management of plan assets and any tax payable by the plan itself, other than tax included in the actuarial assumptions used to measure the defined benefit obligation, are recognised as a reduction in the return on plan assets and recorded in Other Comprehensive Income and Expenditure.

The change in the standard means that other administration costs must not be deducted from the return on plan assets. Instead they are required to be shown in Surplus or Deficit on the Provision of Services. We have opted to include this amount in "Central Services to the Public" in the Comprehensive Income and Expenditure". We have had to restate 2012/13 as this is a retrospective requirement.

Interest Costs in relation to Current Service Cost
In 2012/13 we included in Note 11 Financing and Investment Income and Expenditure, a line for "Pension interest cost and expected return on pensions assets". The new requirements have "split" these values and the line now contains the "net interest cost" only. The expected return on pensions assets is now shown within "Actuarial (gains)/losses on pension assets/liabilities. For this reason we have restated those lines in the notes and the "Comprehensive Income and Expenditure Statement".

This change also impacts on the Cash Flow Statement and Note 30 as well as Note 27, the Pensions Reserve, as the distinction between the categories has changed.

Changes to the Comprehensive Income & Expenditure Statement

	2012/13 Statements £000	Adjustments Made £000
Central Services to the Public	3,743	2
Financing & Investment income and expenditure	(9)	219
(Surplus) or Deficit on Provision of Services	1,502	221
Actuarial (gains)/losses on pension assets/liabilities	1,150	(221)

Changes to the Movements in Reserves Statement

Movement in Reserves Statement – Usable Reserves

	2012/13 Statements £000	Adjustments Made £000
Surplus or deficit on provision of services	(1,502)	(221)
Adjustments between accounting basis and funding basis under regulations	1,115	221

Movement in Reserves Statement – Unusable Reserve

	2012/13 Statements £000	Adjustments Made £000
Other comprehensive Income and Expenditure	400	221
Adjustments between accounting basis and funding basis under regulations	(1,115)	(221)

Changes to the Cash Flow Statement

	2012/13 Statements £000	Adjustments Made £000
Net Surplus or (deficit) on the provision of services	(1,502)	(221)
Adjustment for items included in the net surplus or deficit on the provision of services for non-cash movements (Note 30)	950	221

Changes to Note 30 – Cash Flow – Adjustments to Net Surplus on the Provision of Service for Non-Cash Movement

	2012/13 Statements £000	Adjustments Made £000
Pension payable for year	(506)	221

Changes to Note 27 – Pensions Reserve

	2012/13 Statements £000	Adjustments Made £000
Employer's pension contributions and direct payments to pensioners in the year	506	(221)

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

The Authority has yet to adopt the following accounting standards:

IFRS 10 Consolidated Financial Statements (May 2011)
IFRS 10 was issued in response to the financial crisis, during which there was significant criticism of accounting rules that permitted certain entities to remain off-balance sheet. The main change introduced by IFRS10 is a greater focus on which party has power over an entity rather than who has the majority of the risks and rewards.

This new standard comes into effect for accounting periods beginning on or after 1 January 2013 but does not affect the disclosures for 2013/14 in this Statement, and will need to be applied retrospectively to our accounts from 1 April 2014.

At the time of writing, the impact to our accounts is not fully known although based on our current arrangements is likely to be immaterial.

IFRS 11 Joint Arrangements (May 2011)
IFRS 11 was issued at the same time as IFRS10 to improve the accounting for joint arrangements. It introduces a principle based approach that requires a party to a joint arrangement to recognise its rights and obligations arising from the arrangement. This will provide users with greater clarity about an entity's involvement in its joint arrangements.

This new standard comes into effect for accounting periods beginning on or after 1 January 2013 but does not affect the disclosures for 2013/14 in this Statement, and will need to be applied retrospectively to our accounts from 1 April 2014.

At the time of writing, the impact to our accounts is not fully known although based on our current arrangements is likely to be immaterial.

IFRS 12 Disclosures of Interests in Other Entities (May 2011)
IFRS12 requires the disclosure of information that enables users of financial statements to evaluate:

- The nature of, and risks associated with, its interests in other entities; and
- The effects of those interests on its financial position, financial performance and cash flows.

This new standard comes into effect for accounting periods beginning on or after 1 January 2013 but does not affect the disclosures for 2013/14 in this Statement, and will need to be applied retrospectively to our accounts from 1 April 2014.

At the time of writing, the impact to our accounts is not fully known although based on our current arrangements is likely to be immaterial.

IFRS13 Fair Value Measurement
IFRS 13 defines fair value and sets out in a single IFRS a framework for measuring fair value. It also identifies the disclosure requirement for items measured at fair value.

This new standard comes into effect for accounting periods beginning on or after 1 January 2013, but does not affect the disclosures for 2013/14 in this Statement.

At the time of writing the CIPFA/LASAAC Local Authority Accounting Code Board have decided to defer the implementation of this standard to the 2015/16 Code, so there will be no impact to our accounts during 2014/15.

IAS 27 Separate Financial Statements (as amended in May 2011)
IAS 27 Separate Financial Statements (as amended in 2011) outlines the accounting and disclosure requirements for 'separate financial statements', which are financial statements prepared by a parent, or an investor in a joint venture or associate, where those investments are accounted for either at cost or in accordance with IAS 39.

This new standard comes into effect for accounting periods beginning on or after 1 January 2013 but does not affect the disclosures for 2013/14 in this Statement, and will need to be applied retrospectively to our accounts from 1 April 2014.

At the time of writing, the impact to our accounts is not fully known although based on our current arrangements is likely to be immaterial.

IAS 28 Investments in Associates and Joint Ventures (as amended in May 2011)
IAS 28 Investments in Associates and Joint Ventures (as amended in 2011) outlines how to apply, with certain limited exceptions, the equity method to investments in associates and joint ventures. The standard also defines an associate by reference to the concept of "significant influence", which requires power to participate in financial and operating policy decisions of an investee (but not joint control or control of those polices).

This new standard comes into effect for accounting periods beginning on or after 1 January 2013 but does not affect the disclosures for 2013/14 in this Statement, and will need to be applied retrospectively to our accounts from 1 April 2014.

At the time of writing, the impact to our accounts is not fully known although based on our current arrangements is likely to be immaterial.

IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (as amended in December 2011)
These amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify:

- The meaning of ‘currently has a legally enforceable right of set-off’; and
- That some gross settlement systems may be considered equivalent to net settlement.

This new standard comes into effect for accounting periods beginning on or after 1 January 2014 so does not affect the disclosures for 2013/14, and as the amendments do not constitute a change of accounting policy we are not required to apply them retrospectively.

As the authority does not currently offset any of its financial instruments, there will be no impact in our accounts as a result of these amendments.

4. Critical Judgments in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority 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 is a high degree of uncertainty about future levels of funding for Local Government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

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

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 the expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	As at 31 March 2014 the Pension Liability for West Somerset amounted to £17.136m. An increase over the forthcoming year of 10% in either the total number of claims or estimated average settlement would each have the effect of adding £1.714m to the provision needed.
Arrears	As at 31 March 2014, the Authority had a balance of corporate debtors of £0.419m. A review of balances suggested that an impairment allowance of £0.132m 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 £0.132m 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.

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 Authority in carrying out its duties and these are as follows:

Housing Benefit Payments and Subsidy

The Council incurs a significant proportion of it's spend on benefit payments, which is funded predominantly by Government grant. Housing Benefit and subsidy payments are included within Other Housing Services on the face of the Comprehensive Income and Expenditure Statement and payments amounted to £13.927m in 2013/14 compared with £13.265 in 2012/13. Housing Benefit subsidy amounted to (£13.788m) in 2013/14 compared with (£13.172m) in 2012/13.

7 Events after the Balance Sheet Date

There have been no events after the balance sheet date of 31 March 2014 that require the financial statements or notes to be adjusted for 2013/14.

8 Adjustments between Accounting Basis and Funding Basis under Regulations

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

2013/14	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	520			(520)
Movements in the market value of Investment Properties	(89)			89
Amortisation of intangible assets	12			(12)
Capital grants and contributions applied	(404)			404
Revenue expenditure funded from capital under statute	604			(604)
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	81			(81)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(25)			25
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(5)		5	0
Application of grants received in previous years			(82)	82
Adjustment involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(106)	106		0
Use of the Capital Receipts Reserve to finance new capital expenditure		(615)		615
Adjustment involving the Pensions Reserve:				
Actuarial past service gain adjustment	1,450			(1,450)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(525)			525
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax & Non-domestic rate income credited to the Comprehensive Income and Expenditure Statements is different from council tax income calculated for the year in accordance with statutory requirements	(92)			92
Adjustment involving the Accumulating Compensated Absences Adjustment Account:				
Amount by which officer remuneration charged to the Comprehensive Income an Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(14)			14
Total Adjustments	**1,407**	**(509)**	**(77)**	**(821)**

2012/13 Comparative Figures (Restated)	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	1,155			(1,155)
Movements in the market value of Investment Properties	(509)			509
Capital grants and contributions applied	(424)			424
Revenue expenditure funded from capital under statute	539			(539)
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	111			(111)
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(47)		47	
Application of grants received this year				
Application of grants received in previous years			(97)	97
Adjustment involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(88)	88		
Use of the Capital Receipts Reserve to finance new capital expenditure		(304)		304
Adjustment involving the Pensions Reserve: (Restated)				
Actuarial past service gain adjustment	1,129			(1,129)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(285)			285
Employer's pension contributions and direct payments to pensioners payable in the year.				
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statements is different from council tax income calculated for the year in accordance with statutory requirements	14			(14)
Adjustment involving the Accumulating Compensated Absences Adjustment Account:				
Amount by which officer remuneration charged to the Comprehensive Income an Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	7			(7)
Total Adjustments	**1,602**	**(216)**	**(50)**	**(1,336)**

9 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2013/14.

	Balance at 31/03/12	Transfers Out	Transfers In	Balance at 31/03/13	Transfers Out	Transfers In	Balance at 31/03/14
General Fund - Revenue Earmarked Reserves	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Areas Based Grant	**219**	(59)		**160**	(46)		**114**
Other Earmarked Reserves	**260**	(118)	135	**277**	(178)	240	**339**
Planning Performance Agreement Reserve	**412**	(412)		**0**			**0**
Seaside Towns Reserve	**199**	(103)		**96**	(80)	4	**20**
New Homes Bonus Reserve	**73**	(98)	219	**194**	(80)		**114**
DCO Reserve	**71**	(23)		**48**	(48)		**0**
Sustainability Reserve	**44**		281	**325**	(404)	137	**58**
Joint Management Project Transition	**0**			**0**		375	**375**
Joint Management Project	**0**			**0**		20	**20**
Business Rate Smoothing	**0**			**0**		270	**270**
Homelessness Prevention	**0**			**0**		66	**66**
Total	**1,278**	**(813)**	**635**	**1,100**	**(836)**	**1,112**	**1,376**

Area Based Grant - relates to a general grant allocated by Central Government a few years ago, directly to local authorities as additional revenue funding. Local authorities are free to use it as they see fit – it is not ring fenced – to support the delivery of, regional and national priorities in their areas. This includes local area agreement (LAA) targets.

Sustainability Reserve – relates to a reserve set up to finance invest to save initiatives required to reduce the Council's net revenue expenditure and increase financial sustainability.

Seaside Towns Reserve – relates to a grant allocated by Central Government to ensure coastal areas are best placed to take advantage of their natural resources and assets, historic infrastructure, and high quality of life, as well emerging green industries - to develop strong and successful local economies. This involves creating new jobs, and improving local housing.

Joint Management Project and Transition – relates to the joint management project with Taunton Deane Borough Council to share services to help fill the budget gap of both councils

Business Rate Smoothing – relates to business rate retention to even out the variation in non-domestic rate receivable by the council each year.

Other Earmarked Reserves – relates to various monies set aside by the authority including Land Charges Reserve, Election Reserve, Economic Development Projects and Tourism Reserve.

10 Other Operating Expenditure

2012/13 £000		2013/14 £000
840	Parish Council precepts	880
3	Levies	3
24	(Gains)/Losses on the disposal of non current assets	(25)
867	**Total**	**858**

11 Financing and Investment Income and Expenditure

2012/13 £000	Adjustments	2012/13 (Restated) £000		2013/14 £000
53		53	Interest payable and similar charges	72
551	219	770	Net interest on the defined liability (asset)	776
(21)		(21)	Interest receivable and similar income	(16)
(509)		(509)	Income and Expenditure in relation to investment properties and changes in fair value	(89)
(83)		(83)	Other investment income	(84)
(9)	**219**	**210**	**Total**	**659**

12 Taxation and Non Specific Grant Income

2012/13 £000		2013/14 £000
(2,824)	Council tax income	(2,617)
(2,242)	Non domestic rates	(1,283)
(363)	Non-ringfenced government grants	(2,170)
(471)	Capital grants and contributions	(408)
(5,900)	**Total**	**(6,478)**

13 Property, Plant and Equipment

Revaluations

The Council carries out a programme that ensures that all Property, Plant & Equipment is measured at fair value with the latest revaluation exercise being carried out as at 31 March 2014. All valuations were carried out externally by Mrs Hannah Plowman MRICS on behalf of the District Valuer at the Valuation Office Agency, Quantock House, Paul Street, Taunton, Somerset, TA1 3PB. 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 & Buildings £000	Vehicles Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Total £000	Investment Properties £000	Surplus Assets Not Held for Disposal £000	Surplus Assets Held for Disposal £000	Total £000	Grand Total £000
Valued at Historic Cost		149	3,019		**3,168**					**3,168**
Valued at Current Value In:										
2013/14	10,157				**10,157**	3,075	523	3,694	**7,292**	**17,449**
2012/13	6				**6**					**6**
2011/12			158		**158**					**158**
2010/11	79				**79**			93	**93**	**172**
2008/09			169	21	**190**					**190**
2005/06			17		**17**					**17**
2004/05				64	**64**					**64**
Total	**10,242**	**149**	**3,363**	**85**	**13,839**	**3,075**	**523**	**3,787**	**7,385**	**21,224**

Depreciation

Depreciation is calculated on the following bases:

- **Dwellings and other buildings** – straight-line allocation over the life of the property as estimated by the Valuer. The useful economic lives of the assets held as operational buildings, as determined by the District 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.

Contractual Commitments

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

Movement in 2013/14	Other Land & Buildings £000	Vehicles Plant & Equip £000	Infrastructure Assets £000	Community Assets £000	Non-Operational Assets £000	Total £000
Cost or Valuation						
At 1 April 2013	**9,965**	**3,564**	**6,881**	**88**	**1,298**	**21,796**
Additions	25	87	35			**147**
Reclassifications	(216)	0				**(216)**
Revaluation increases/(decreases) recognised in the Revaluation reserve	552	0			(200)	**352**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(54)	0				**(54)**
Derecognition - Disposals	0	(3)		(3)	(75)	**(81)**
Assets reclassified (to)/from Held for Sale	0	0			(500)	**(500)**
At 31 March 2014	**10,272**	**3,648**	**6,916**	**85**	**523**	**21,444**
Accumulated Depreciation and Impairment						
At 1 April 2013	**(22)**	**(3,430)**	**(3,365)**	**0**	**0**	**(6,817)**
Depreciation charge	(167)	(69)	(187)			**(423)**
Impairment losses/(reversals) recognised in the Revaluation Reserve	158	0				**158**
At 31 March 2014	**(31)**	**(3,499)**	**(3,552)**	**0**	**0**	**(7,082)**
Net Book Value						
As at 31 March 2014	**10,241**	**149**	**3,364**	**85**	**523**	**14,362**
As at 31 March 2013	**9,943**	**134**	**3,516**	**88**	**1,298**	**14,979**

Comparative Movement in 2012/13	Other Land & Buildings £000	Vehicles Plant & Equip £000	Infrastructure Assets £000	Community Assets £000	Non-Operational Assets £000	Total £000
Cost or Valuation						
At 1 April 2012	**10,333**	**3,541**	**6,773**	**86**	**1,170**	**21,903**
Additions	19	32	110	3		**164**
Reclassifications	3	(1)	(2)			**0**
Revaluation increases/(decreases) recognised in the Revaluation reserve	20				199	**219**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(405)				(11)	**(416)**
Derecognition - Disposals	(5)	(8)		(1)		**(14)**
Derecognition - Other					(60)	**(60)**
At 31 March 2013	**9,965**	**3,564**	**6,881**	**88**	**1,298**	**21,796**
Accumulated Depreciation and Impairment						
At 1 April 2012	**(432)**	**(3,032)**	**(3,173)**	**0**	**0**	**(6,637)**
Depreciation charge	(148)	(221)	(192)			**(561)**
Depreciation written out to the Surplus/Deficit on the Provision of Services	558					**558**
Impairment losses/(reversals) recognised in the Provision of Services		(178)				**(178)**
Derecognition - Disposals		1				**1**
At 31 March 2013	**(22)**	**(3,430)**	**(3,365)**	**0**	**0**	**(6,817)**
Net Book Value						
As at 31 March 2013	**9,943**	**134**	**3,516**	**88**	**1,298**	**14,979**
As at 31 March 2012	**9,901**	**509**	**3,600**	**86**	**1,170**	**15,266**

14 Investment Properties

An investment property is one that is used solely to earn rentals or for capital appreciation or both.

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:

2012/13 £000		2013/14 £000
84	Rental income from investment property	84
84	**Net gain/(loss)**	**84**

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority 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:

Movement in fair value of investment properties 2012/13 £000		2013/14 £000
2,780	Balance at start of the year	3,349
	Additions:	
0	- Purchases	20
	Disposals	0
509	Net gains/losses from fair value adjustments	89
	Transfers:	
60	- To/from Non-Operational Assets	217
0	- To/from Assets Held for Sale	(600)
3,349	**Balance at end of the year**	**3,075**

15 Intangible Assets

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

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

	2012/13			2013/14		
	Internally Generated Asset	Other Assets	Total	Internally Generated Asset	Other Assets	Total
	£000	£000	£000	£000	£000	£000
Net carrying amount at start of year	**0**	**0**	**0**	**0**	**0**	**0**
Additions:						
Purchases	0	0	**0**	0	63	**63**
Amortisation for the period	0	0	**0**	0	(12)	**(12)**
Net carrying amount at end of year	**0**	**0**	**0**	**0**	**51**	**51**
Comprising:						
Gross carrying amounts	0	0	**0**	0	63	**63**
Accumulated amortisation	0	0	**0**	0	(12)	**(12)**
	0	**0**	**0**	**0**	**51**	**51**

16 Financial Instruments

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

Categories of Financial Instruments	Long Term		Current	
	31 Mar 2013	31 Mar 2014	31 Mar 2013	31 Mar 2014
	£000	£000	£000	£000
Investment				
Loans and receivables			931	2,153
Total investment	**0**	**0**	**931**	**2,153**
Debtor				
Loans and receivables			269	1,366
Total debtors	**0**	**0**	**269**	**1,366**
Borrowings				
Financial liabilities at amortised cost			3,524	3,502
Total borrowings	**0**	**0**	**3,524**	**3,502**
Creditors				
Financial liabilities at amortised cost			1,370	1,839
Total creditors	**0**	**0**	**1,370**	**1,839**

Financial Instruments Gains/Losses

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

2013/14	Liabilities measured at amortised cost £000	Loans and Receivables £000	£000
Interest Expense	72		72
Interest payable and similar charges (note 10)	**72**		**72**
Interest Income		(16)	(16)
Interest receivable and similar (note 10)		**(16)**	**(16)**
Net gain/loss for the year	**72**	**(16)**	**56**

Fair value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost (in long term assets/liabilities with accrued interest in current assets/liabilities). Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- Valuations use the Net Present Value approach, which provides an estimate of the value of payments in the future in today's terms. In such cases the prevailing rate of a similar instrument with a published market rate has been used as a discount factor; For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade, other receivable or creditor, the fair value is taken to be the carrying amount or the billed amount;

The fair values calculated are as follows:

		31 March 2013 Carrying Amount £000	31 March 2013 Fair Value £000	31 March 2014 Carrying Amount £000	31 March 2014 Fair Value £000
Loans and Receivables	Investments	931	931	2,153	2,153
	Debtors	269	269	1,366	1,366
		1,200	**1,200**	**3,519**	**3,519**
Financial Liabilities at amortised cost	Borrowings	3,506	3,524	3,502	3,502
	Creditors	1,370	1,370	1,839	1,839
		4,876	**4,894**	**5,341**	**5,341**

17 Assets Held for Sale

	Current 2012/13 £000	Current 2013/14 £000
Balance outstanding at start of the year	**2,046**	**2,842**
Asset newly classified as held for sale:		
- Property, Plant and Equipment	122	767
- Investment Property		600
Revaluation losses		-380
Revaluation gains	772	
Impairment losses		-42
Asset declassified as held for sale:		
Asset sold	-98	
Balance outstanding at end of the year	**2,842**	**3,787**

18 Long Term Debtor

31 March 2013 £000		31 March 2014 £000
16	Other entities and individuals	5
16	**Total**	**5**

19 Short Term Debtors

31 March 2013 £000		31 March 2014 £000
66	Central Government bodies	1,045
407	Other local authorities	215
1,161	Other entities and individuals	1,586
(417)	Impairment allowance for doubtful debt	(478)
1,217	**Total**	**2,368**

20 Cash and Cash Equivalents

31 March 2013 £000		31 March 2014 £000
53	Cash held by the Authority	127
1,287	Bank current accounts	1,352
0	Short-term deposits with building society	1,500
(409)	Unpresented Cheques/BACS	(826)
931	**Total**	**2,153**

21 Short Term Creditors

31 March 2013 £000		31 March 2014 £000
(48)	Central Government bodies	(1,234)
(737)	Other local authorities	(606)
(5,296)	Other entities and individuals	(5,988)
(6,081)	**Total**	**(7,828)**

Included within the ‘other entities and individuals’ figure in the above table is the short term borrowing amounts outstanding as at 31 March. This amounted to £3.506m in 2012/13 and £3.502m in 2013/14.

22 Provisions

		NNDR Appeals £000	Severance Costs £000	Total £000
Balance as at	**1 April 2013**	**0**	**(3)**	**(3)**
Additional provisions	made in 2013/14	(740)	0	**(740)**
Balance as at	**31 March 2014**	**(740)**	**(3)**	**(743)**

The Local Government Finance Act 2012 introduced changes to the accounting arrangements for Business Rates. These changes require the Authority 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 Authority has included a best estimate of its share of expenditure required to settle the present obligation within the collection fund (see page 53).

23 Long Term Borrowing and Other Long Term Liabilities

31 March 2013 £000		31 March 2014 £000
(18,767)	Other Long Term Liabilities	(17,136)
(213)	Capital Grants Receipts in Advance	(267)
(18,980)	**Total**	**(17,403)**

24 Unusable Reserves

31 March 2013 £000		Notes	31 March 2014 £000
6,649	Revaluation reserve	**25**	6,710
6,862	Capital Adjustment Account	**26**	6,929
(18,767)	Pensions Reserve	**27**	(17,136)
13	Collection Fund Adjustment Account	**28**	105
(88)	Accumulating Compensated Absences Adjustment Account	**29**	(74)
(5,332)	**Total Unusable Reserves**		**(3,466)**

25 Revaluation Reserve

The Revaluation Reserve holds the unrealised revaluation gains, which have arisen, since 1 April 2007, from holding plant, property and equipment. Where assets, which had previously been revalued, are impaired as a result of reductions in property values, then the revaluation reserve is reduced to the extent of the value held for that specific asset.

2012/13 £000			2013/14 £000
5,149	**Balance as at 1 April**		**6,649**
2,040	Upward revaluation of assets	893	
(490)	Services	(763)	
1,550	Surplus or deficit on revaluation of non-current assets not posted to the Surplus on the Provision of Services		130
(47)	Difference between fair value depreciation and historical cost depreciation	(69)	
(3)	Accumulated gains on assets sold or scrapped	0	
(50)	Amount written off to the Capital Adjustment Account		(69)
6,649	**Balance as at 31 March**		**6,710**

26 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 also contains 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 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2012/13 £000			2013/14 £000
7,283	**Balance as at 1 April**		**6,862**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
(1,155)	Charges for Depreciation and impairment of non current assets	(520)	
0	Amortisation of intangible assets	(12)	
(539)	Revenue expenditure funded from capital under statute	(604)	
(111)	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	(81)	
(1,805)			**(1,217)**
50	Adjusting amounts written out of the Revaluation Reserve		69
(1,755)	**Net written out amount of the cost of non current assets consumed in the year**		**(1,148)**
	Capital financing applied in the year:		
304	Use of the Capital Receipts Reserve to finance new capital expenditure	615	
424	Capital grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing	404	
97	Capital Grant Applied	82	
0	Statutory provision for the financing of capital investment charged against the General Fund and HRA	25	
0	Capital expenditure charged against the General Fund	0	
825			1,126
509	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Account		89
6,862	**Balance as at 31 March**		**6,929**

27 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.

2012/13 Restated £000		2013/14 £000
(16,994)	**Balance as at 1 April**	(18,767)
(929)	Remeasurements of the net defined benefit liability/(assets)	2,556
(1,129)	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	(1,450)
285	Employer's pension contributions and direct payments to pensioners payable in the year	525
(18,767)	**Balance as at 31 March**	**(17,136)**

28 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.

2012/13 £000		2013/14 £000
27	**Balance as at 1 April**	**13**
(14)	Amount by which council tax & 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	92
13	**Balance as at 31 March**	**105**

29 Accumulated Absences Account

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

2012/13 £000		2013/14 £000
(82)	**Balance as at 1st April**	**(88)**
(6)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory	14
(88)	**Balance as at 31st March**	**(74)**

30 Cash Flow – Adjustments to Net Surplus on the Provision of Service for Non Cash Movement

2012/13 (Restated) £000		2013/14 £000
561	Depreciation	423
0	Amortisation	12
594	Impairment and downward valuations	97
(509)	Revaluation of Investment Properties	(89)
(607)	(Decrease)/Increase in creditors	1,725
198	(Increase)/Decrease in debtors	(1,140)
111	Carrying Value of Non Current Assets Disposed	81
1,129	Movement in Pension Liability	1,450
(285)	Pension Payable for year	(525)
(3)	(Decrease)/Increase in Provision	740
(19)	(Decrease)/Increase in Capital RIA	54
1	Other Movements	(1)
1,171		**2,827**

31 Cash Flow – Adjustment for items in the net surplus or deficit on the provision of services that are investing or financing activities

2012/13 £000		2013/14 £000
(88)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(106)
(88)		**(106)**

32 Cash Flow Statement – Operating Activities

The cash flow for operating activities includes the following items:

2012/13 £000		2013/14 £000
21	Interest Received	16
(53)	Interest Paid	(72)
(32)		**(56)**

33 Cash Flow Statement – Investing Activities

2012/13 £000		2013/14 £000
(377)	Purchase of Property, Plant & Equipment, Investment Property and intangible assets	(475)
88	Proceed from Disposal	106
(289)	**Net cash flows from investing activities**	**(369)**

34 Amounts Reported for Resource Allocation Decisions

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

- No charges are made in relation to capital expenditure, whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement

- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- Expenditure on some support services is budgeted for centrally and not charged to services

The income and expenditure of the Authority's principle services recorded in the budget reports for the year is as follows:

Income and Expenditure 2013/14	Housing and Economy £000	Corporate Director £000	Environment and Community £000	Total £000
Fees, charges and other service income	(873)	(255)	(1,644)	**(2,772)**
Interest and investment income		(16)	0	**(16)**
Government grants	(14,046)	(77)	0	**(14,123)**
Total Income	**(14,919)**	**(348)**	**(1,644)**	**(16,911)**
Employee expenses	1,000	1,271	1,220	**3,491**
Other service expenses	14,876	542	2,789	**18,207**
Interest payments		96	0	**96**
Total Expenditure	**15,876**	**1,909**	**4,009**	**21,794**
Net Expenditure	**957**	**1,561**	**2,365**	**4,883**

Income and Expenditure 2012/13	Housing and Economy £000	Corporate Director £000	Environment and Community £000	Total £000
Fees, charges and other service income	(1,069)	(96)	(1,736)	**(2,901)**
Interest and investment income	0	(21)	0	**(21)**
Government grants	(16,813)	0	(3)	**(16,816)**
Total Income	**(17,882)**	**(117)**	**(1,739)**	**(19,738)**
Employee expenses	1,027	967	1,218	**3,212**
Other service expenses	17,305	697	2,853	**20,855**
Interest payments	0	53	0	**53**
Total Expenditure	**18,332**	**1,717**	**4,071**	**24,120**
Net Expenditure	**450**	**1,600**	**2,332**	**4,382**

Reconciliation of Service Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of services income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement

2012/13 £000		2013/14 £000
4,382	Net expenditure in the analysis	4,883
2,164	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	1,481
6,546	**Cost of Services in Comprehensive Income and Expenditure Statement**	**6,364**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of services income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2013/14	Analysis £000	Amounts not reported to management for decision making £000	Amount not included in I&E £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Cost of services £000
Fees, charges and other service income	(2,772)	(214)	617	(2,917)	(5,286)	(408)	(5,694)
Interest and investment income	(16)		16		0	(16)	(16)
Income from council tax					0	(86)	(86)
Government grants	(14,123)				(14,123)	(6,343)	(20,466)
Total Income	**(16,911)**	**(214)**	**633**	**(2,917)**	**(19,409)**	**(6,853)**	**(26,262)**
Employee expenses	3,491	128			3,619	776	4,395
Other service expenses	18,207	501	(3)		18,705	3	18,708
Support Service recharges	0			2,917	2,917		2,917
Depreciation, amortisation and impairment	0	532			532	(89)	443
Interest Payments	96		(96)		0	73	73
Precepts & Levies	0				0	881	881
Gain or Loss on Disposal of Fixed Assets	0				0	(25)	(25)
Total Expenditure	**21,794**	**1,161**	**(99)**	**2,917**	**25,773**	**1,619**	**27,392**
Surplus or Deficit on the Provision of Services	**4,883**	**947**	**534**	**0**	**6,364**	**(5,234)**	**1,130**

Comparative Figures 2012/13 Restated	Analysis £000	Amounts not reported to management for decision making £000	Amount not included in I&E £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Cost of services £000
Fees, charges and other service income	(2,901)	(74)	450	(2,947)	**(5,472)**	(398)	**(5,870)**
Interest and investment income	(21)		21		**0**	(21)	**(21)**
Income from council tax					**0**	(2,909)	**(2,909)**
Government grants	(16,816)		50		**(16,766)**	(2,676)	**(19,442)**
Total Income	**(19,738)**	**(74)**	**521**	**(2,947)**	**(22,238)**	**(6,004)**	**(28,242)**
Employee expenses	3,212	80			**3,292**	770	**4,062**
Other service expenses	20,855	539	(4)		**21,390**		**21,390**
Support Service recharges				2,947	**2,947**		**2,947**
Depreciation, amortisation and impairment		1,155			**1,155**	(509)	**646**
Interest Payments	53		(53)		**0**	53	**53**
Precepts & Levies					**0**	843	**843**
Gain or Loss on Disposal of Fixed Assets					**0**	24	**24**
Total Expenditure	**24,120**	**1,774**	**(57)**	**2,947**	**28,784**	**1,181**	**29,965**
Surplus or Deficit on the Provision of Services	**4,382**	**1,700**	**464**	**0**	**6,546**	**(4,823)**	**1,723**

35 Members Allowances

2012/13 £000		2013/14 £000
77	Basic Allowance	77
64	Special Responsibility Allowance	64
13	Expenses	14
154	**Allowances paid in the year**	**155**

36 Officers Remuneration

Senior Officers emoluments – salary is between £50,000 and £150,000 per year 2013/14. The figures for 2012/13 are provided for comparison purposes.

Post holder information (Post Title)	Financial Year	Salary (including fees and allowances)	Benefits in Kind	Compensation for Loss of Office	Total Renumeration	Pension contributions	Total Renumeration including pension contributions
		£	£	£	£	£	£
Chief Executive	2013/14	62,381	152	69,878	**132,411**	8,093	**140,504**
	2012/13	62,381	340	0	**62,721**	8,093	**70,814**
Corporate Director	2013/14	44,696	289	0	**44,985**	5,794	**50,779**
	2012/13	59,594	302	0	**59,896**	7,725	**67,621**
Totals	2013/14	107,077	441	69,878	**177,396**	13,887	**191,283**
	2012/13	121,975	642	0	**122,617**	15,818	**138,435**

During 2013/14 West Somerset Council approved plans to share a joint management team with Taunton Deane Borough Council. The first stage of this process was to share a joint Chief Executive from the 24 October 2013 and then a joint management team from the 1 January 2014. Taunton Deane Borough Council became the “employer” and costs are charged on an agreed cost-sharing basis.

In the table above West Somerset Council’s Chief Executive left that position on the 23 October 2013 but continued to work for the authority until the 31 March 2014 when he then left through redundancy.

The remuneration for the Corporate Director in the table above is for the period up to the 31 December 2013, from the 1 January 2014 he was appointed as the Assistant Chief Executive and Monitoring Officer in the new joint management team.

Post holder information (Post Title)	Annualised Salary At 31/03/2014	Salary (including fees and allowances)	Expenses Allowances	Total Renumeration excluding pension contributions	Pension contributions	Total Renumeration including pension contributions
	£	£	£	£	£	£
Chief Executive	110,000	113,090	1,310	**114,400**	0	**114,400**
Director A	85,000	78,157	1,542	**79,699**	14,259	**93,958**
Director B	80,000	73,543	1,094	**74,637**	13,532	**88,169**
Director C	80,000	62,134	0	**62,134**	12,210	**74,344**
Assistant Chief Executive and Monitoring Officer	63,500	15,875	417	**16,292**	2,921	**19,213**
Assistant Director A	60,000	56,684	841	**57,525**	10,430	**67,955**
Assistant Director B	60,000	56,684	1,725	**58,409**	10,430	**68,839**
Assistant Director C	60,000	57,104	1,107	**58,211**	10,430	**68,641**
Assistant Director D	60,000	57,403	1,239	**58,642**	11,293	**69,935**
Assistant Director E	60,000	15,000	0	**15,000**	2,760	**17,760**
Assistant Director F	60,000	10,000	226	**10,226**	1,840	**12,066**

The above table represents the full cost of remuneration for the 2013/14 financial year of those officers appointed to the new Joint Management Team as part of the Shared Services Project between West Somerset Council and Taunton Deane Borough Council.

These costs are shared between the two authorities on a proportionate share basis and the costs applicable to West Somerset Council during 2013/14 are shown in the table below:

Post holder information (Post Title)	Date Appointed	Cost Spilt		West Somerset Council Cost
		WSC %	TDBC %	£
Chief Executive	24 October 2013	50	50	25,423
Director A	01 January 2014	20	80	5,032
Director B	01 January 2014	20	80	4,736
Director C	01 January 2014	10	90	2,368
Assistant Chief Executive and Monitoring Officer	01 January 2014	50	50	9,605
Assistant Director A,B,C,D & E	01 January 2014	20	80	18,091
Assistant Director F	01 February 2014	50	50	5,920

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

Remuneration Band	2012/13 Number of employees		2013/14 Number of employees	
	Total	Left During Year	Total	Left During Year
£50,000 - £54,999			1	
£55,000 - £59,999	1			
£60,000 - £64,999	1			
£85,000 - £89,999			1	1
£130,000 - £134,999			1	1

The officers leaving the Council's employment in each of the years shown above received redundancy payments that increased their remuneration for the year.

The table below shows the exit packages that employees of West Somerset and Taunton Deane Borough Council received in compensation for redundancy.

Exit Package Cost Band (including special payments)	Number Of Compulsory		Number Of Other Departures Agreed		Total Number Of Exit Packages By Cost		Total Cost Of Exit Packages In Each	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
£0 - £20,000	0	3	0	0	0	3	£0	£25,530
£20,001 - £40,000	0	4	0	0	0	4	£0	£128,160
£40,001 - £60,000	0	0	0	0	0	0	£0	£0
£60,001 - £80,000	0	3	0	0	0	3	£0	£212,580
£80,001 - £100,000	0	2	0	0	0	2	£0	£181,450
£100,001 - £150,000	0	0	0	0	0	0	£0	£0
Total	**0**	**12**	**0**	**0**	**0**	**12**	**£0**	**£547,720**

37 External Audit Costs

2012/13 £000		2013/14 £000
56	Fees payable to external auditors with regards to external audit services carried out by the appointed auditor for the year	56
20	Fees paid to external auditors for the certification of grant claims and returns for the year	10
76	**Total**	**66**

38 Grant Income

Contributions and donations to the Comprehensive Income and Expenditure Statement	2012/13 £000	2013/14 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(43)	(1,579)
New Homes Bonus	(219)	(393)
Local Services Support Grant	(50)	0
Council Tax Freeze Grant	(49)	0
Capital Grants and Contributions	(71)	(5)
Section 106 Agreement	(164)	(228)
Disabled Facilities Grant	(236)	(176)
Transformation Award	0	(150)
Capitalisation Provision	0	(8)
Section 31 - NNDR	0	(249)
Rural LA Transitional Funding	0	(23)
Community Right to Challenge	0	(9)
Asset of Community Value	0	(8)
Total	**(832)**	**(2,828)**
Credited to Services		
DWP - Housing Benefit Subsidy	(13,172)	(13,788)
DWP - Council Tax Benefit Subsidy	(3,143)	0
DSS - Benefit Administration Grant	(279)	(273)
Rent Rebate Grant	(58)	(33)
NNDR Cost of Collection Grant	(73)	(74)
DHP Grant	(12)	(140)
DCLG Benefit Admin Grant	(100)	(33)
New Burden Grant	(38)	(35)
Troubled Families	(7)	0
EDF - Hinkley C S106 Contribution	(781)	(364)
Bellwin Scheme - Flooding	0	(10)
Section 31 - Flooding	0	(18)
National Grid PPA	0	(24)
Individual Electional Registration (IER)	0	(13)
Other Grants and Contributions	(58)	(84)
Total	**(17,721)**	**(14,889)**

39 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.

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of 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. housing benefits).

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 section 81(1) of the Local Government Act 2000. There are no material related party transactions with members to disclose for 2013/14, although one member has disclosed that they are named on the lease of an Investment Property held by the Authority for which a rent of £0.019m was received during 2013/14. Another member has disclosed that he part owned a property that is used as temporary accommodation by the Authority. The total value of rent received is £0.005m.

During 2013/14 grant payments were made to local organisations on which District Members also serve. Two such organisations were Artlife and the West Somerset Advice Bureau with grants amounting to £0.013m and £0.038m being made respectively.

Grant payments, other than precepts were also made to Parish Councils where District 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 2013/14 other than Precept payments amounted to £0.009m.

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 2013/14.

Related party transactions with the precepting bodies are disclosed on page 55, note 49-50 and with the pension fund which is on pages 48-51, note 43 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 2013/14 are as follows:

	2013/14 £000
Amounts due to Central Goverment	1,234
Amounts due to other Local Authorities	606
Amounts due from Central Government	1,045
Amounts due from other Local Authorities	215

40 Capital Expenditure and Capital Financing

2012/13 £000		2013/14 £000
7,658	**Opening Capital Financing Requirement**	**7,658**
	Capital Investment	
164	Property, Plant and Equipment	147
0	Investment Properties	20
0	Intangible Assets	63
122	Assets Held for Sale	267
539	Revenue Expenditure Funded from Capital under Statute	604
	Sources of finance	
(304)	Capital receipt	(615)
(521)	Government Grant and other contributions	(486)
	Sums set aside from revenue	
0	MRP/loans fund principle	(25)
7,658	**Closing Capital Financing Requirement**	**7,633**
	Explanation of movements in year	
0	Increase / (Decrease) in underlying need to borrowing (unsupported by government financial assistance)	(25)
0	**Increase/(decrease) in Capital Financing Requirement**	**(25)**

41 Leases

Authority as Lessee

Finance Leases

The Authority holds two assets under finance leases. The assets held under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2013 £000	31 March 2014 £000
Land and Buildings	39	32
Total	**39**	**32**

The rents received in respect of the above assets are of a peppercorn nature and therefore no liability has been recognised.

Operating Leases

The Authority has entered into various operating leases. The future minimum lease payments due under non-cancellable leases in future years are as follows:

	2012/13 £000	2013/14 £000
Not later than one year	89	89
Later than one year and not later than five years	301	254
Later than five years	139	111
	529	**454**

The expenditure charged to the Comprehensive Income and Expenditure Statement during 2013/14 in relation to these leases was £0.094m.

Authority as Lessor

Finance Leases

Shutgate Meadow Scheme, Williton
No debtors have been included in respect of the Shutgate Meadow scheme due to the fact that the rentals paid are of a peppercorn nature. The Authority's interest in the said scheme comprises the Freehold of four purpose-built one-bedroom flats and associated gardens, access and car parking provision. The four flats are all currently owner-occupied on a Leasehold basis and the Council remains liable for the Buildings Insurance on the block (for which it re-charges the owners of each flat). When the properties are sold, they are done so on a private basis by the owners and are not subject to re-purchase by the Council. Due to planning restrictions they can only be sold in line with the Council's Affordable Home Ownership Policy (i.e. at a discount of 75% of Open Market Value and to purchasers with a local connection and a gross household income not exceeding £35,000 per annum).

Clanville Housing Scheme, Minehead
No debtors have been included in respect of the Clanville Grange scheme due to the fact that the rentals paid are of a peppercorn nature. In July 2010 the Council adopted a revised Affordable Home Ownership Policy that means in future it will continue to be required to re-purchase (at a discounted price) when owners wish to sell the properties but a Deed of Pre-emption enables the Authority to recoup 30% of the uplift in value - or bear 30% of any loss in value.

Land at Vulcan Road, Minehead
No debtor has been included in respect of the 999-year lease of land at Vulcan Road, Minehead, due to the fact that the premium paid to West Somerset Council during 2009/10 in recognition of the disposal, extinguished the debtor liability immediately.

Operating Leases
The Authority 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 Council under non-cancellable leases in future years are as follows:

	2012/13 £000	2013/14 £000
Not later than one year	109	93
Later than one year and not later than five years	373	371
Later than five years	2,540	2,449
	3,022	**2,913**

42 Impairment Losses
Impairment losses have been recorded, where applicable, following the formal revaluation exercise undertaken on the Authority's asset base, carried out by Mrs. Hannah Plowman on behalf of the Valuation Office as at 31 March 2014.

43 Defined Benefit Pension Schemes
Participation in pension schemes
As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

West Somerset 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 Authority and employees 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 pensions payments as they eventually fall due.

Transactions relating to retirement benefits

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on 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	2012/13 £000	2012/13 £000 (Restated)	2013/14 £000
Comprehensive Income and Expenditure Statement			
Cost of Services			
- Service costs	0	578	667
- Current service costs	578	0	0
- Administration Expenses	0	2	7
Financing and Investment Income and Expenditure:			
- Net interest on the defined liability	0	770	776
- Interest cost	1,477	0	0
- Expected return on scheme assets	(926)	0	0
Total Post Employment Benefits charged to the Provision of Services	**1,129**	**1,350**	**1,450**
Remeasurement of the net defined liability comprising:			
- Return on assets (excluding the amount included in the net interest expense)	0	1,700	269
- Change in financial assumptions	0	(2,595)	500
- Change in demographic assumptions	0	0	(1,431)
- Experience (gain) / loss on defined benefit obligation	0	(35)	2,750
- Other actuarial (gains) / losses on assets	0	0	468
- Prior to new standard - Actuarial (gains) / losses	1,151	0	0
Total Post Employment Benefit Charged to the Income and Expenditure Statement	**1,151**	**(930)**	**2,556**
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	(1,129)	(1,129)	(1,450)
Actual amount charged against the General Fund balance for pensions in the year:			
- Employers contributions payable to scheme	506	285	525

Assets and Liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

Reconciliation of present value of the scheme liabilties	Funded liabilities: Local Government Pension 2012/13	2012/13 £000 (Restated)	2013/14 £000
Opening balances as at 1 April	**(32,651)**	**(32,651)**	**(36,243)**
Current service cost	(578)	(578)	(638)
Interest cost	(1,477)	(1,477)	(1,501)
Change in financial assumptions	0	(2,595)	500
Change in demographic assumptions	0	0	(1,431)
Contributions by scheme participants	(151)	(151)	(141)
Experience loss / (gain) on defined benefit obligation	0	(35)	2,750
Actuarial gains / (losses)	(2,630)	0	
Benefits Paid Out	1,148	1,148	1,058
Past service costs, including curtailments	0	0	(29)
Unfunded Pension Payments	96	96	93
Closing balance as at 31 March	**(36,243)**	**(36,243)**	**(35,583)**

Reconciliation of fair value of scheme assets:

Reconciliation of Fair Value of the Scheme Assets	2012/13 £000	2012/13 £000 (Restated)	2013/14 £000
Opening balances as at 1st April	**15,657**	**15,657**	**17,476**
Expected rate of return	926	0	0
Interest on assets	0	707	725
Return on assets less interest	0	1,700	269
Other actuarial gains / (losses)	0	0	468
Actuarial gains and losses	1,479	0	0
Administration expenses	0	(2)	(7)
Employer contributions	506	506	525
Contributions by scheme participants	151	151	141
Benefits paid	(1,243)	(1,243)	(1,150)
Closing balance as at 31st March	**17,476**	**17,476**	**18,447**

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

The actual return on scheme assets in the year was £0.994m (2012/13 £2.405m).

Scheme History	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
Present value of liabilities:	(32,592)	(28,635)	(32,651)	(36,243)	(35,583)
Fair value of assets in the Local Government Pension Scheme	15,557	16,295	15,657	17,476	18,447
Surplus/(deficit) in the scheme:	**(17,035)**	**(12,340)**	**(16,994)**	**(18,767)**	**(17,136)**

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £17.136m has an impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall negative balance on the balance sheet of £0.173m. However statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the Local Government Scheme will be made good by increased employer's contributions over the remaining working life of employees together with lump sum deficit funding, as assessed by the scheme actuary.

The above liability is split between funded obligations (£15.454m) and unfunded obligations (£1.682m).

The total projected contribution the Council expects to make to the Local Government Pension Scheme in the year to 31 March 2015 is £0.481m.

<u>Basis for estimating assets and liabilities</u>

Liabilities have been assessed on an actuarial basis using the projected unit 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 assessed by Barnett Waddingham, an independent firm of actuaries. Estimates for the Fund are based on the latest full valuation of the scheme as at 31 March 2013.

The principal assumptions used by the actuary have been as follows:

Basis for Estimating Assets and Liabilties	Local Government Pension Scheme 2012/13	2013/14
Long-term expected rates of return on:		
- Equity investments	6.3%	6.0%
- Gilts	3.0%	6.0%
- Other Bonds	4.1%	6.0%
- Property	5.4%	6.0%
- Cash	0.5%	6.0%
Longevity at 65 for current pensioners		
- Men	20.1	23.6
- Women	24.1	26.0
Longevity at 65 for future pensioners		
- Men	22.1	25.8
- Women	26.0	28.3
Rate of inflation - RPI	3.3%	3.6%
Rate of inflation - CPI	2.5%	2.8%
Rate of increase in salaries	4.7%	4.6%
Rate of increase in pensions	2.5%	2.8%
Rate for discounting scheme liabilities	4.2%	4.5%

The following assumptions have also been made:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age;
- 10% of active members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

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

LG Pension Scheme Assets	2012/13	2013/14
Equities	72%	71%
Gilts	8%	6%
Other bonds	11%	11%
Property	8%	10%
Cash	1%	2%
Total	**100%**	**100%**

Sensitivity Analysis:

Sensitivity Analysis	Local Government Pension Scheme £000	£000	£000
Adjustment to discount rate	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	34,956	35,583	36,221
Projected service cost	492	504	516
Adjustment to long term salary increase	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	35,667	35,583	35,500
Projected service cost	504	504	504
Adjustment to pension increases and deferred revaluation	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	36,148	35,583	35,029
Projected service cost	516	504	491
Adjustment to mortality age rating assumption	**+1 Year**	**None**	**-1 Year**
Present value of total obligation	34,361	35,583	36,815
Projected service cost	487	504	521

44 Contingent Liabilities

Clanville Housing - The Council continues to maintain its adopted Low Cost Home Ownership Scheme in respect of Clanville Grange in Minehead. As at 31 March 2014 the Council owned three such properties, 7,15 and 21 Clanville Grange for which it paid £0.287m. In July 2010 the Council adopted a revised

Affordable Home Ownership Policy. In future it will continue to be required to re-purchase (at a discounted price) when owners wish to sell the properties but a Deed of Pre-emption enables the Authority to recoup 30% of the uplift in value - or bear 30% of any loss in value. N.B. this new arrangement will not apply when properties are sold to a current owner stair casing up within the scheme when properties will be re-purchased at open market value minus the original discount applied.

Land Charges - In common with other Authorities there is a possibility that the council may face legal action over the fees it has charged for certain services that it provides under land charges.

There is no certainty at this stage that there will be financial implications.

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.

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 Council elected to become a Member of the Company – South West Audit Partnership Ltd – with effect from 1 April 2013. It is currently estimated that this amounts to £68,399 for West Somerset Council.

45 Contingent Assets

Hinkley Point C - Of the £28.000m mitigation monies in respect of the Hinkley Point C site preparation project, the largest part of this, some £17.000m, is due to be paid to West Somerset Council upon commencement of earthworks at the Hinkley Point site. EDF has commenced earthwork in May 2014, when West Somerset Council received £9.600m from EDF. EDF have yet to make a final investment decision. The European Commission is currently investigating the pricing contract agreed between EDF and the government as it could break state aid rules. We expect the ruling to be made over the next year.

If EDF go ahead with the construction, the remainder of the mitigation monies (about £4.000m) will be paid at various stages throughout the project.

All contributions which have been due have been paid on time and in full to date. Any contributions which have been spent and/or distributed by the Council have been in accordance with the approval sought and received from Cabinet or Council following discussion at either the Councils internal Planning Obligations Group or the Planning Obligations Board which involves Sedgemoor District Council, Somerset County Council and EDF Energy. The joint board has been established in accordance with the legal agreement to consider and make recommendations to West Somerset's Cabinet and Council about projects to be funded from around £10.000m of contributions relating to Community Impact Mitigation, Housing and Economic Development. This is likely to result in funding being made available to a range of both public and community-led projects.

46 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;
- Re-financing risk - the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- 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 2013/14 treasury management strategy which incorporated the prudential indicators was approved by Council on 27 March 2013 and is available on the Council website. Full Council approved the current strategy on 26 March 2014. The key issues within the 2013/14 strategy were:

- The Authorised Limit for 2013/14 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 £7.500m. 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 100% based on the Council's net debt.

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

Aged Debt Analysis	31 March 2013	31 March 2014
Less than three months	97,800	254,600
Three to six months	26,600	22,000
Six months to one year	65,200	61,400
More than one year	523,000	569,500
Total	**712,600**	**907,500**

At the beginning of 2013/14 the provision for impairment of sundry debts (excluding council tax) stood at £0.376m The Authority has now made a provision for impairment of sundry debts of £0.402m in the 2013/14 accounts, which is an overall increase of £0.026m. 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.

Refinancing and Maturity risk
The Council maintains a debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer-term financial liabilities and longer-term financial assets.
The maturity analysis of financial liabilities is as follows:

Maturity Analysis	31 March 2013 £000	31 March 2014 £000	Notes
Public Works Loans Board	3,500	0	Repaid in February 2014
West Yorkshire PCC	0	3,500	Repayable in August 2014
Total	**3,500**	**3,500**	

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.

Market Risk - Price risk
The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

Market Risk - 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.

2012/13 Total £000		Notes	2013/14 Business Rates £000	2013/14 Council Tax £000	2013/14 Total £000
	Income				
(10,241)	Business Rates Receivable		(12,411)	0	(12,411)
(18,666)	Council Tax Receivable		0	(19,503)	(19,503)
(3,111)	Council Tax Benefits		0	0	0
(32,018)	**Total Income**		**(12,411)**	**(19,503)**	**(31,914)**
	Expenditure				
	Apportionment of Previous Year Surplus:				
0	- Central Government		0	0	0
184	- Somerset County Council		0	81	81
30	- Police & Crime Commissioner for Avon & Somerset		0	13	13
13	- Devon and Somerset Fire and Rescue Authority		0	6	6
33	- West Somerset District Council		0	15	15
260			**0**	**115**	**115**
	Precepts and Demands:				
10,167	- Business Rates - Payments to National Pool		0	0	0
0	- Central Government		5,194	0	5,194
15,189	- Somerset County Council	**50**	935	13,213	14,148
2,485	- Police & Crime Commissioner for Avon & Somerset	**50**	0	2,161	2,161
1,093	- Devon and Somerset Fire and Rescue Authority	**50**	104	970	1,074
1,965	- West Somerset District Council	**50**	4,155	1,773	5,928
840	- Parish Councils	**50**	0	771	771
31,739			**10,388**	**18,888**	**29,276**
	Charges to the Collection Fund:				
56	Write offs of uncollectable amounts		16	22	38
0	Increase / Decrease (-) in Bad Debt Provision		0	40	40
0	Provision for Appeals		1,850	0	1,850
74	Cost of Collection		74	0	74
130			**1,940**	**62**	**2,002**
111	**(Surplus) / Deficit for the year**		**(83)**	**(438)**	**(521)**
(208)	**(Surplus) / Deficit b/fwd 1st April**		**0**	**(97)**	**(97)**
(97)	**(Surplus) / Deficit c/fwd 31st March**	**51 & 52**	**(83)**	**(535)**	**(618)**

Income from Business Ratepayers
The Council collects National Non-Domestic Rates (NNDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government. In previous financial years the total amount due, less certain allowances, was paid to a central pool (the NNDR pool) administered by Central Government, which, in turn, paid to Local Authorities their share of the pool, such shares being based on a standard amount per head of the local adult population.

In 2013/14, the administration of NNDR changed following the introduction of a business rates retention scheme which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to the central pool, local authorities retain a proportion of the total collectable rates due. In the case of West Somerset Council the local share is 40%. The remainder is distributed to preceptors and in the case of West Somerset these are Central Government (50%), Somerset County Council (9%) and the Devon and Somerset Fire & Rescue Authority (1%).

47 Business Rates

2012/13 £		2013/14 £
31,400,231	Total non-domestic rateable value at end of year (31 March)	31,377,851
45.8p	National non-domestic rate multiplier for the year	47.1p
45.0p	Small business non-domestic rate multiplier for the year	46.2p

48 Council Tax Base

Band	Chargeable Dwellings	Conversion Factor	Band D Equivalent	Income £000
A	1,950	6/9	1,300	1,908,998
B	2,942	7/9	2,288	3,359,836
C	2,832	8/9	2,517	3,696,114
D	2,590	9/9	2,590	3,803,311
E	1,430	11/9	1,748	2,566,868
F	1,018	13/9	1,470	2,158,636
G	530	15/9	883	1,296,650
H	33	18/9	66	96,918
	13,325		**12,862**	**18,887,333**

49 Council Tax Amount (Band D)

2012/13 £		2013/14 £
1,027.30	Somerset County Council	1,027.30
168.03	Police & Crime Commissioner for Avon & Somerset	168.03
73.92	Devon and Somerset Fire and Rescue Authority	75.39
132.90	West Somerset District Council	137.82
56.81	Parish/Town Councils	59.92
1,458.96	**Total**	**1,468.46**

50 Precepts and Demands

2012/13 £000		2013/14 £000
15,189	Somerset County Council	13,213
2,485	Police & Crime Commissioner for Avon & Somerset	2,161
1,093	Devon and Somerset Fire and Rescue Authority	970
1,965	West Somerset District Council	1,773
840	Parish/Town Councils	771
21,572	**Total**	**18,888**

51 Allocation of Council Tax Year End Surplus

2012/13 £000		2013/14 £000
68	Somerset County Council	373
11	Police & Crime Commissioner for Avon & Somerset	62
5	Devon and Somerset Fire and Rescue Authority	28
13	West Somerset District Council	72
97	**Total**	**535**

52 Allocation of Non Domestic Rate Year End Surplus

2012/13 £000		2013/14 £000
0	Central Government	42
0	Somerset County Council	7
0	Devon and Somerset Fire and Rescue Authority	1
0	West Somerset District Council	33
0	**Total**	**83**

Annual Governance Statement

Scope of responsibility
West Somerset Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. West Somerset Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

West Somerset Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code can be obtained on request.

This statement explains how West Somerset Council has complied with the code and also meets the requirements of regulation 4 (2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment)(England) Regulations 2006 in relation to the publication of a statement on internal control.

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

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

The governance framework has been in place at West Somerset Council for the year ended 31 March 2014 and up to the date of approval of the statement of accounts.

The governance framework
The key elements of WSC's governance arrangements are outlined in the Local Code of Corporate Governance. The main areas and the key evidence for delivery are as follows:

Core Principle 1: focusing on the purpose of West Somerset Council and on outcomes for the community and with partners creating and implementing a vision for the local area;

- The Corporate Plan sets out the purpose, vision and priorities for WSC. This plan is reviewed annually and key tasks amended where appropriate to reflect changing circumstances. These key tasks are then reflected in the service plans.
- The Corporate Plan now includes measures of success to demonstrate effective delivery of the outcomes. Reporting against these are included in the quarter 4 report as the end of year annual review.
- A joint Chief Executive (between TDBC/WSC) has been in place since July 2013.
- In Nov 2013, WSC agreed to work in partnership with TDBC. A Joint Management Team (JMT) has been in place since Jan 2014 and a single staffing structure will be implemented by Feb 2015.
- WSC are in various partnerships and contracts to deliver service e.g. Somerset Waste Partnership, South West Audit Partnership, Street cleansing services provided by Veolia under contract

- Service performance measures and delivery of key tasks are included in service plans to monitor services delivered in partnership/under contract.
- The council undertakes an annual satisfaction survey includes questions to determine the level of satisfaction with key services and the results are reported to members, managers and service areas to inform service improvement.
- The Council approved a treasury management strategy and an annual investment strategy during the year, which includes its prudential indicators in accordance with the CIPFA code.
- The council have previously undertaken benchmarking supported by SPARSE but this is not undertaken consistently.
- The proposals to align and integrate TDBC & WSC's Performance Management Frameworks has identified benchmarking as an area for development and improvement.

Joint Management and Shared Services –

- TDBC & WSC jointly developed a business case for joint management and shared services. The business case went through the democratic process and was approved by both Councils in Nov 2013.
- Between Jan-Mar 2013, the management teams from both councils met on various occasions to discuss and develop the expectations and vision for a partnership. The Leaders from both councils also worked together early on in the process to ensure they held common aims and expectations.
- During the development of the Business case a Joint Members Advisory Panel (JMAP) was established – JMAP. This included 4 members from each council. following the approval of the business case, this has developed into the Joint Partnership Advisory Panel (JPAG), with a similar format, 4 members from each council and also now includes the leader from each council.
- Member development programme also be developed with the support of the LGA/member peers and a member rep from each council.
- Communications plans during the business case development and since approval, have included activities to keep members from both councils informed of proposals and actions underway. These activities have included member briefing sessions at key stages of the process
- Outcomes and benefits to the community include - Value for money services, Attracting funding to the council to improve the council and maintain level of service delivery, Maintaining local democracy and a greater local/regional/national influence/ representation as a partnership than as individual councils

Core Principle 2: members and officers work together to achieve a common purpose with clearly defined functions and roles:

- Up to Dec 2013, the Council's senior management was provided by CMT (Corporate Management Team) and from Jan 2014, the newly appointed Joint Management Team were in place and meets monthly. The Chief Executive, Assistant Chief Executive and Directors, operating as the Senior Leadership Team (SLT), meet monthly.
- A Chief Executive was appointed in July 2013 shared between TDBC and WSC;
- The Chief Executive's annual Personal Development Review (PDR) is undertaken by the Leader of the Council, the Lead member for Finance and Resource and the Leader of the Democratic Alliance. The PDR sets out the priorities and targets for the Chief Executive and reviews progress against these.
- Regular meetings are held between the Leader and the Chief Executive in order to maintain a shared understanding of respective roles and the council's objectives.

Section 151 -

- Up to Jan 2014, the role of chief financial officer and Section 151 for the council was covered by a part-time secondment from Somerset County Council.
- From Jan 2014 onwards, the Chief Financial Officer and Section 151 provision is covered by the Director – Operations as part of the TDBC/WSC Joint Management now in place

- The Chief Financial Officer is a CCAB (Consultative Committee of Accountancy Bodies) qualified accountant and is responsible for maintaining a robust system of internal control

Monitoring officer -

- In the new JMT arrangements in place since Jan '14, the Assistant Chief Executive and monitoring officer is a member of the Senior Leadership Team
  Two deputies are also appointed and are available to cover both WSC and TDBC
- A shared remuneration panel with SCC is already in operation and there are discussions with other Somerset districts regarding their joining. The panel meets as and when required and met twice during 2013/14
- For 2014/15 the shared remuneration panel will be involved in the preparation work regarding training for new members following the district elections in 2015
- As part of the performance management framework, portfolio holders meet regularly with their respective Assistant Directors to discuss performance, current and future issues affecting the services and the public.
- Key Performance Indicators are included in service plans and progress against the agreed targets are reported quarterly to Scrutiny & Cabinet where remedial action is reported and considered
- The council has a robust financial planning process, including the preparation of a medium term financial plan and an annual budget that is monitored regularly. Budget holders receive monthly budget reports and members receive a quarterly financial monitoring report as part of the Quarterly performance management report.
- Service plans are clearly linked to the corporate plan and the MTFP. They provide detail about the key actions to be undertaken to deliver on the corporate priorities. They also identify the performance measures and targets to ensure services achieve their objectives and to the required standard.
- Performance against the corporate plan and the service plans are reported quarterly to Scrutiny Committee and Cabinet

Joint Management and Shared Services –

- A transparent, equitable and fair recruitment process has been developed with input from Unison and JPAG to support the re-structure phase of the partnership. The 'Creating a shared workforce and transition redundancy policy' report was presented to and approved by both councils in Nov 2013
- The Chief Executive meets monthly with the Leader of TDBC and Leader WSC individually and again with both Leaders together on a monthly basis.
- All staff briefings are held monthly with sessions at West Somerset House and Deane House. These are headed up by the Chief Executive and Assistant Chief Executive with support from other Directors and Assistant Directors as required. Senior Management Team (SMT) briefings are also being held to disseminate information at key stages of the restructure process.

Core Principle 3: promoting the values of West Somerset Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour:

- The Council undertake an annual appraisal process for all staff.
- The register of interests of councillors is published on the council's website in the 'find a councillor' section and available as a pdf to download.
- The Code of Conduct and the Register of Gifts and Hospitality are all public documents and can be viewed at the Council Offices and available via the website.
- Managers are responsible for making sure staff are aware of, and adhere to the council's policies, procedures, laws and regulations. The financial management of the council is conducted in accordance with its financial regulations and contract standing orders as part of the constitution and updated every year
- The Standards Advisory Committee promotes high standards of behaviour by members, reviewing policies and law as relating to members behaviour. The committee consists of three WSC councillors, three town/parish councillors and three independent members, one of whom is chairman to demonstrate independence and objectivity.

- During 2013/14 75 formal complaints against councillors under their code of conduct were received or were being processed.

Joint Management and Shared Services –

- The Joint Partnership Advisory Group (JPAG) that provides the member governance for the JMASS programme encourages mutual working and trust between the member representatives.
- A Member development programme is in development and will encourage opportunities for TDBC/WSC members to meet and work together. There is also the potential in the future for joint committees eg. Audit/Standards.
- The project mandate agreed by both councils, included the non-negotiable issues and these were reflected throughout the development of the business case. eg, retain sovereignty/no cross subsidy.
- The trust and respect of and between the councils and management has been key to the speed of progress that has been made. Following the appointment of the Joint Chief Executive and the establishment of the Joint Management team (in place by Jan 2014) There has been the promotion and endorsement of a 'OneTeam' culture across both councils. This approach is also under-pinned by the agreed employment model where people appointed in the new structure are employed by TDBC.
- Additional HR resource (from SCC and via internal secondment) has been drafted in during the development of the business case and latterly as the restructure gets underway to support the recruitment process.
- A Joint Unison Board (unison representatives from TDBC & WSC) was established at an early stage of the partnership process (first meeting held Mar '13). JUB meet monthly and are consulted at all stages of the process e.g. Employment model, recruitment process, Job evaluation process

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

- The council maintains an internal audit service through the South West Audit Partnership (SWAP) that operates to standards specified by the institute of Internal Auditors (IIA) and the Chartered Institute of Public Finance Accountants (CIPFA).
- In 2013, SWAP changed their legal status and now operate as a limited company. WSC's Senior Accountant represents the council on the board of members.
- The Scrutiny Committee has a right of 'call-in' for Cabinet decisions. Many issues pass through Scrutiny in order for comments to be passed to Cabinet and/or full Council. This improves transparency.
- S106 agreements, flooding and Williton hospital were examples of areas where the Scrutiny Committee undertook reviews.
- The CFO/Section 151 officer has direct access to the Chair of Audit Committee and the Authority's external auditors.
- All council meetings are open to the press and public, except where personal or confidential matters are discussed. Members of the public are allowed to speak at meetings and have done so regularly throughout the year. The public element of all formal meetings are normally subject to audio recording.
- The Cabinet and Scrutiny Committee have forward plans that are available on the council's website via the recording of minutes and agenda
- The Council has an approved risk management strategy that identifies how risks and identified, monitored and managed.
- To ensure that day to day business of the council considers risk within its decision making processes, each committee report must include risk management information, scores and mitigating actions to inform member decisions.
- All high risks are recorded and managed via the corporate risk register and all other identified risks are managed via the appropriate service plan.
- The Whistleblowing policy is available on the Council's website.
- The Council has adopted a constitution that sets out how it operates, how decisions and taken and the procedures to follow. The constitution is regularly reviewed to ensure it is fit for purpose. The constitution was updated in July 2013, to reflect the appointment of the Joint Chief Executive and in January 2014 to reflect the appointment of the Joint Management Team.

Joint Management and Shared Services –

- Savings from the Joint Management and staffing restructure were based on a budget envelope to ensure the required savings would be achieved.
- The business case identified savings from joint management and staffing restructure was based on a budget envelope to assure savings are achievable. Savings from future transformation phase were not included because it relies on member appetite for change and cannot be anticipated with enough assurance at this stage.
- There are many services delivered by both councils that can be integrated into a single delivery team
- There are also differences (eg Housing stock/coastal management) which can still be brought together under joint management & structure, although the scope for savings in these areas through joining services is obviously more limited
- Staff briefings held throughout the process have clearly stated the reasons and advantages of the partnership. A monthly project newsletter was produced during development of the business case to keep staff informed and this has been replaced with the 'OneTeam'
- A risk register was developed and maintained as part of the business case process and was monitored and managed by the project board and JMAP.

Following approval of the business case an implementation risk register has been drafted and this is monitored and managed by the project board and JPAG.

- Risks associated with the Partnership project are also included in the joint TDBC/WSC Corporate risk register as appropriate.

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

- Job descriptions are in place for all posts and are being reviewed as part of the Joint Management and Shared Services restructure
- The Council has a personal development review (PDR) process in place for managers to discuss with each member of staff their capacity and capability to carry out their role and future roles. They are then responsible for identifying appropriate training and development opportunities
- There is a new member induction programme and members have the opportunity to attend appropriate training courses/workshops
- 12 service managers undertook training provided by the Institute of Leadership and Management and completed the course in July 2013

Joint Management and Shared Services –

- Work is currently underway regarding an organisational development programme to ensure that staff appointed into the new structure have the appropriate support, training and development to be effective in their new roles.
- The business case includes an ICT programme including technologies to enable managers and staff are able to work effectively across the disparate office locations. This includes a dedicated secure comms line that has been installed between Deane House and WSHouse. A trust domain has also been established to enable both MS Outlook instances to be integrated, including calendars. Work is underway to combine/integrate building access control systems at both locations.

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

- Area panels ensure local accountability and local access – A representative from the TDBC/WSC Senior Leadership Team attends all area panels.
- An annual customer satisfaction survey is sent to all households, included with the Council Tax bills. The findings are reported as part of the Qtr 4 performance report and its findings influence future service and budget planning.
- Customer complaints/compliments are regularly monitored and feed into service delivery.
- The Council's e-consultation system at westsomersetsays.com provides details of the consultations underway and a summarised statement of accounts is available on the council's website

- Regular ‘under the spotlight’ staff briefings undertaken by the Chief Executive and following Jan 2014, monthly all staff briefings held, with sessions available to attend at West Somerset House & Deane House.

Joint Management and Shared Services –

- The communications plan to support the business case process included keeping community groups and key stakeholders informed.
- A press briefing was held on 1st Oct ’13 to ensure the media were kept in the loop and able to report accurately about the business case proposals.
- TDBC’s weekly brief and WSC’s community matters have also been used to communicate information at key stages.
- Communications, since the Business case approval has been focused internally (for staff and members), which is appropriate to this stage of the process.
- The communications plan being updated for the next stage of the process and successes at key stages will be communicated to the public as appropriate
- Monthly staff briefings, regular member briefings and the monthly newsletter circulated to all members and officers are key communication channels at this stage of change, to reinforce the ‘OneTeam’ ethos, to highlight successes and future proposals and developments of the transformation phase.

The authority’s financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

Review of effectiveness

West Somerset Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.
The review of effectiveness is informed by the work of the South West Audit Partnership acting as the council’s internal auditors, and the Joint Management Team who have responsibility for the development and maintenance of the governance environment.

The process that has been applied to maintaining and reviewing the effectiveness of the governance framework include:

- **South West Audit Partnership** - Internal Audit (SWAP) is subject to regular inspection by the Council’s external auditors who place reliance on the work carried out by Internal Audit.
  A summary of the Internal Audits undertaken during 2013/14 where level 4 ( ) and 5( ) recommendations together with their mitigating actions and an update on progress of these is attached as Appendix B
- **Grant Thornton (as external auditors)**
- **Local Partnerships** (subsidiary of the LGA) - undertook the assurance review of the Joint Management and shared services business case)
- **Audit Committee -** reviews the effectiveness of Internal Audit, and the Annual Governance Statement. It receives reports from internal audit on a quarterly basis and agrees Internal and External Audit Plan
- **Standards Board**
- **Cabinet**
- **The monitoring officer** has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are adequate. The Council reviews the constitution regularly – the latest review being undertaken in March 2013.
- The Council’s **Financial Regulations** are kept under continuous review – the last review was approved in December 2012

In its review of effectiveness, the Authority has assessed its overall governance arrangements as adequate.

Some areas where further improvements could be made have also been identified and these are listed below:

- Improve the communication of the authority's purpose and vision and its intended outcomes to citizens and service users.
- Draft a community engagement and communications plan for the council
- Undertake comparisons with other councils to evidence value for money is being achieved and to identify areas for improvement
- Prepare an annual summary of progress of the key actions to deliver the 2013-16 Corporate Plan, also achievements and challenges throughout the year

Joint management and shared services

- Undertake member development as part of the overall programme.

Over the coming year we will continue to enhance our governance arrangements. We are satisfied that these steps, shown above, will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

On behalf of West Somerset Council:

Signed: …………………………………………………………………………..
Leader of the Council

Signed: …………………………………………………………………………..
Chief Executive

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
are one of the main accounting concepts and ensures that income and expenditure are shown in the accounting period that they are earned or incurred, not as money is received or paid.

Accumulated Absences Account
is the account that holds the differences between the amounts debited or credited to the Comprehensive Income and Expenditure Statement in accordance with the Code and the amounts debited and credited to the General Fund in accordance with the statutory regulations relating to accruals made for the cost of holiday entitlements earned by employees but not yet taken before the year end.

Apportionment
is the mechanism for allocating the cost of support services to front line and other services using appropriate bases to spread the cost fairly.

Asset
is 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
are 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
is an 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
are the accumulated surplus of revenue income over expenditure.

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

Best Value
is the Government's legislative framework for ensuring that local authorities have set up arrangements to secure sustained improvement in quality and cost of local service provision. It imposes two new duties: the Duty of Best Value and the Duty to Consult. The onus is on the local authorities to demonstrate they are achieving Best Value rather than on Central Government to prescribe it. It replaced Compulsory Competitive Tendering legislation on 1 April 2000.

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

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 authority benefits from the expenditure. The account will also record the resources set aside to finance capital expenditure.

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

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

Capital Expenditure (Outlay)
is on 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 Programme
is a financial summary of the capital schemes that West Somerset intends to carry out over a specified time period.

Capital Receipts
are 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
are unspent revenue budget approvals, which the district executive committee is able to transfer into the following financial year.

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
summarises the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes.

Central Government Grants
comprise three types:

- Grants paid by Central Government to aid local authority 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

CIPFA
is the Chartered Institute of Public Finance and Accountancy.

Code
is 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
are separate 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 Authority's share of the Collection Fund Surplus or Deficit.

Community Assets
are those 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)
consolidates all the gains and losses experienced by an authority during the financial year.

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.

Creditors
are 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
are 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
is a 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
is 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
are amounts set aside from revenue to meet particular spending needs, including funding capital projects.

Effective Interest Rate
is 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
are the salaries and wages etc, of staff including expenditure on training and the costs of redundancy.

Fair Value (Financial Instruments)
is 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)
is 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
are the income raised by charging for the use of facilities or services.

Finance Leases
are 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
are 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
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.

Government Grants
are made by the Government towards either revenue or capital expenditure to help with the cost of providing services and capital projects. Some government grants have restrictions on how they may be used whilst others are general.

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

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

Income
is 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
are 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.

IFRS
is an International Financial Reporting Standard advising the accounting treatment and disclosure requirements of transactions so that an authority's accounts 'present fairly' the financial position of the authority.

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

Investment Property
is 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 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
are financial instruments that have fixed or determinable payments and are not quoted in an active market.

Long-term Investments
are those, which are intended to be held on a continuous basis for the activities of the authority.

Materiality
is 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
is the sum required to be met from revenue under current capital controls to provide for the repayment of outstanding borrowings; additional sums may be voluntarily set aside.

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

National Non-Domestic Rate (NNDR) Income (also known as Business Rates)
Business Rates are collected locally, pooled nationally and then redistributed to all local authorities on a population basis.

Net Book Value
is 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
is the cost of replacing an asset in its existing condition and use.

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

Non-Current Asset
is 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
is 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
are 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
are those assets e.g. land and buildings, used in the direct provision of services.

Operating Leases
are all leases, which are not finance leases.

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

Precept
is 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
are amounts set aside to meet costs which are likely or certain to be incurred, but are uncertain in value or timing.

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

Rateable Value
is 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
is 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
result from 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
is 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
is 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
is a general grant paid by the Government to local authorities as a contribution towards the cost of their services.

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