



# **West Somerset District Council Statement of Accounts 2014/15**

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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.

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 2015/16 and beyond.

Following a successful appeal by the Hinkley Point B power station against its rateable value the Council has suffered an on-going reduction in its funding from business rates. The Council is currently working with the Local Government Association to make representations to Government on the impact of this decision.

Although this issue gives uncertainty on future financial sustainability the s151 officer has made appropriate enquiries and has reasonable expectations that the Council will have adequate resources to continue in operational existence for at least the next year. Consequently the Statement of Accounts for 2014/15 has been prepared on a going concern basis.

## 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 17-52) 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.

## Financial Overview

### **General Fund Revenue Budget and Reserves**

The Council's Final Net Budget for 2014/15 was £5.438m 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 2014/15 the Council agreed to freeze council tax. This meant the annual Band D Council Tax charge for services provided by the Council was set at £137.82.

The Council has reported a net overspend for the year of £0.228m (4.2%) arising from a net underspend on cost of services of £0.122m and a deficit on funding and transfers to earmarked reserves of £0.350m.

	£000
Revenue Support Grant	1,225
Retained Business Rates	1,877
Collection Fund Surplus Business Rates	120
New Homes Bonus Grant	443
Other General Government Grants	50
Council Tax	1,823
Collection Fund Surplus Council Tax	0
<b>Net Expenditure Budget</b>	<b>5,438</b>

The underspend on “cost of services” arose due to variances against several budget areas. The most significant underspends have been reported through housing benefit overpayment recovery, legal services costs, staffing vacancies, planning fee income, and general grant funding.

The deficit on “funding and transfers to earmarked reserves” is the consequence of a particularly large business rates appeal on Hinkley B power station. The Council had previously made provision for this, but it wasn’t sufficient to cover the appeal result and subsequent refund back to 2010. The ongoing impact of this is significant for the Council and will reduce our future funding by over £300k per annum.

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

<b>General Fund Outturn 2014/15</b>	<b>Budget £000</b>	<b>Actual £000</b>	<b>Variance</b>	
			<b>£000</b>	<b>%</b>
Net Expenditure on Services	4,773	4,681	-92	-1.9%
Other Operating Costs and Income	8	3	-5	-62.5%
Capital Financing and Debt Repayment	225	200	-25	-11.1%
Net Transfer to Earmarked Reserves	666	-2,525	-1,859	279%
Budgeted Transfer from General Reserves	-234	-234	0	0%
<b>Net Budget before Funding</b>	<b>5,438</b>	<b>7,175</b>	<b>1,737</b>	<b>31.9%</b>
<b>Funding</b>	<b>-5,438</b>	<b>-6,947</b>	<b>-1,509</b>	<b>-27.8%</b>
<b>Net Variance</b>	<b>0</b>	<b>228</b>	<b>228</b>	<b>4.2%</b>

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 reduced from £0.992m at the start of the year to £0.530m as at 31 March 2015, a net decrease of £0.462m in the year. This again is largely due to the impact of the business rates appeal. Later in this foreword I explain the financial challenges and risks faced by the Council. Having reserves at this level provides minimum resilience as the Council strives to achieve long term financial sustainability.

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 2015 stands at £3.901m. This balance covers a wide variety of planned spending requirements, including: business rates funding volatility ‘smoothing reserve’, council tax reform and hardship, Working Neighbourhoods Fund, joint management and shared services restructuring and transformation costs, homeless prevention, and a wide variety of other reserves for services and projects.

### **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 £0.854m (£1.101m in 2013/14). This included spending of £0.506m on general schemes and £0.348m on Hinkley impact mitigation schemes.

<b>Summary Capital Spending</b>	<b>£000</b>	<b>Funded by</b>	<b>£000</b>
Affordable Housing	162	Capital receipts	142
Disabled facilities grants	112	Grant income	167
CCTV installation	69	S106 General	197
Asset disposal costs	44	S106 Hinkley	348
IT systems and hardware	44		
Minehead Heritage Trail	29		
Hinkley impact mitigation projects	348		
Various other schemes	46		
	854		854

The Council has carried forward capital spending commitments of £0.578m for general schemes and £1.026m for Hinkley S106 impact mitigation schemes. The Council has sufficient resources available to meet this commitment and the approved capital programme in 2015/16, but will need to raise additional funding through capital receipts, external funding or borrowing to support any new capital investment not currently included in the approved capital programme.

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 £1.112m of capital reserves, providing funding for the 2015/16 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. The Council plans to use capital receipts to reduce capital borrowing with a view to reducing annual capital financing costs, as well as provide funding to support new capital investment.

### **Pensions**

In accordance with financial reporting standards, West Somerset District 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 £17.136m at 31 March 2014 to £16.616m at 31 March 2015. The deficit has decreased by 3%, which is largely due to a change in actuarial losses on pension liabilities.

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 2015, the Council did not hold any long term investments, but had a balance of £5.651m (£2.153m at 31 March 2014) in 'cash and cash equivalents' – cash and the bank current account plus £6.000m in short term deposits (£nil at 31 March 2014). This balance has increased significantly during the year following the receipt of S106 funds related to the new Hinkley C project. The return on general fund short term investments and deposits included in the revenue accounts amounted to £0.014m (£0.016m in 2013/14). This level of return reflects low investment interest rates and modest cash balances invested during the year. Interest on Hinkley related funds is ring-fenced and added to S106 funds.

Total external borrowing amounted to £1.000m at 31 March 2015 (£3.500m at 31 March 2014) which is owed to the Police & Crime Commissioner for West Yorkshire. This loan is repayable in February 2016, 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 2014/15 was £0.017m (£0.073m in 2013/14). The cost of short term borrowing is relatively low currently due to ongoing low interest rates.

Proactive treasury management continues to ensure that the Council minimises its interest payable on external borrowing. Investment returns are relatively low as the Council seeks to minimise risk to its capital. As with 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.

	<b>Total £000</b>
Capital Financing Requirement 1 April 2014	7,633
Debt repayment from revenue budget	-200
Debt repayment using capital receipts	-1,800
New expenditure funded through borrowing	0
Capital Financing Requirement 31 March 2015	5,633
Financed by:	
Loan ("External Borrowing")	1,000
Expenditure financed by internal cash resources ("Internal Borrowing")	4,633
Financing as at 31 March 2015	5,633

### **Material Write-Offs and Significant Provisions or Contingencies**

There have been no significant contingencies or material write-offs during 2014/15. As mentioned earlier, the impact of the business rates appeal on Hinkley B results in significant provision for refunds and details are set out below.

### **Impact of Business Rates Appeal - Hinkley B Power Station**

The introduction of the Business Rates Retention system has introduced new financial risks for the Council. The council's share of business rates funding is directly linked to the total amount of business rates due and collected in the area. The outcome of the Hinkley B appeal results in their Gross Rateable Value reducing to £8,000,000 (as at 1 April 2010) – a reduction of £3,180,000 in the 2010 Valuation. There is therefore, due to this result plus the spike in other appeals made, a significant provision in respect of business rates appeals refunds in our accounts. The total provision on 31 March 2015 for estimated appeals and refunds for appeals is £7,946,041. The Council's share of this provision is £3,178,416 (40%).

Although the total retained funding accounted in 2014/15 is above previous forecast, this is skewed by the timing differences in the required accounting and the fact that West Somerset has now accounted for a safety net payment from Government within its funding of £1,227,614. In reality the actual amount due for the year is below the reported amount, with the cost of appeals (see below) resulting in a very large deficit in the business rates Collection Fund.

The Council will need to pay additional funds into the Collection Fund in 2015/16 and 2016/17 to bring the Fund back into balance, and has therefore set aside funds into the Business Rates Smoothing earmarked reserve to mitigate the impact of this in future years. The 2014/15 year-end balance on this Reserve is £2,930,156. The Council's 40% share of the Collection Fund Deficit as at 31 March 2015 is £2,405,130. It is also projected there will be a further deficit in 2015/16 due to ongoing impact of appeals on annual business rates income, which together with the 2014/15 deficit will use up the majority of the Smoothing Reserve balance.

### **Important Developments and Looking To The Future**

#### **Budget Challenges**

For 2015/16 the Council has produced a balanced budget and has implemented a council tax increase of 1.99%, resulting in the basic Band D Council Tax increasing to £140.56. The budget has been set without reliance on reserves to support day to day spending, and the Council has taken steps to reduce reliance on New Homes Bonus Funding to support operations.

This, together with the successful delivery of the Joint Management & Shared Services (JMASS) savings is a significant step forward for the Council in its strive to achieve financial sustainability.

The Net Budget for the 2015/16 year is £4.8m, funded as shown in the table below.

<b>2015/16 Budget</b>	<b>£000</b>
Cost of Services	4,640
Financing costs	322
Earmarked reserve transfers	-150
General reserve transfers	0
<b>Net expenditure</b>	<b>4,812</b>
Revenue support grant	880
Retained business rates funding	1,555
Collection Fund Deficit Business Rates	-150
New homes bonus	571
Other general grant funding	0
Council Tax	1,886
Collection Fund Surplus Council Tax	70
<b>Net Funding</b>	<b>4,812</b>

Our Medium Term Financial Plan (MTFP) reflects the continued challenge of achieving “self-financing” – reflecting our assumption that the existing Government Grant support regime will disappear over the next few years. The underlying budget gap for the Council is around £300k per annum, but this has now doubled due to ongoing the impact of the business rates appeal on Hinkley B power station. This is completely outside the Council’s control and means the challenge is tougher than before. Over the coming months, the Council’s MTFP will be subject to external review for robustness and the Council will be progressing plans for “transformation” – with the aim of achieving a sustainable financial position whilst continuing to deliver key services to the community. The Council will also need to review “in year” plans and make decisions on forward commitments in light of this updated position.

### **Capital Expenditure Plans and Funding**

The Council has limited capital resources and has adopted a capital strategy of raising funds through asset sales and only committing to short term, essential capital projects.

The Capital Programme that Members approved in February 2015 has committed the Council to spending £0.790m on general schemes in 2015/16.

<b>2015/16 Capital Programme</b>	<b>£000</b>
Superfast Broadband (in principle)	240
Shared Services ICT Projects	221
Other ICT capital projects	73
Disabled Facilities Grants	241
Premises capital maintenance	15
<b>Total Capital Expenditure</b>	<b>790</b>
Funded by:	
Capital Receipts	472
Grants	241
Revenue contribution	77
<b>Total Funding</b>	<b>790</b>

The Council has effectively committed all of its capital reserves to support the current approved capital programme, therefore any new spending requirement will need to be funded by new capital receipts, revenue contributions or borrowing.

There are emerging asset liabilities that may require capital funding. The Council will review this programme “in year” to ensure only priority and essential schemes proceed whilst these new issues are emerging.

## **Organisation and Transformation of Council Services**

In 2013 West Somerset and Taunton Deane Councils agreed to establish a Joint Management and Shared Services (“JMASS”) structure, with the management and staff of both Councils joining together as “One Team”. The Councils prepared a Strategic Business Case that set out the vision and benefits that joint working would help both Councils achieve.

The Councils’ joint senior management team was in place by March 2014, with the rest of the workforce restructuring progressing during 2014/15. Restructuring was completed by February 2015 – on target – and the Councils have broadly achieved the financial savings identified in the business case. Ongoing savings of £307k for West Somerset is built into our budget.

The next important phase following the implementation of the Joint Management and Shared Service Structure is to progress with transformation of services to further meet the ambitions of the Councils in terms of services to our community, and also to provide further opportunities for savings in recognition of our financial pressures. The transformation programme will be developed during 2015/16, and will require up-front investment. The Council has some funding set aside in earmarked reserves towards meeting this ambition.

## **Further Information**

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

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

We have audited the financial statements of West Somerset District Council for the year ended 31 March 2015 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, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of West Somerset District Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the Director of Operations and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Director of 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 2014/15, 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 also 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 of Operations; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory 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 2015 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 2014/15 and applicable law.

## **Opinion on other matters**

In our opinion, the information given in the explanatory 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 are required to 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; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 a 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 in October 2014.

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 review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, 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 2015.

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.

### **Basis for qualified conclusion**

In considering the Authority's arrangements for securing financial resilience, we identified the following matters:

- The Authority reported a decrease in the general fund balance of £0.462 million in its financial statements for the year ending 31 March 2015 resulting in a general fund reserve balance of £0.532 million at 31 March 2015, which is very close the minimum level agreed by members.
- The medium term financial plan of the Authority for 2015/16 to 2020/21 shows an underlying budget gap of £0.566m for 2016/17 and £1.538 million up to the end of the six year period. As a result, the Council will have significant difficulties in setting a balanced budget for 2016/17.

The decrease in the general fund balance during 2014/15, low general fund reserve balance at 31 March 2015 and future budget gaps are evidence of weaknesses in arrangements in respect of the Authority's strategic financial planning.

### **Qualified Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, with the exception of the matters reported in the basis for qualified conclusion paragraph above, 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 ending 31 March 2015.

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

Hartwell House  
55-61 Victoria Street  
Bristol  
BS1 6FT

29 September 2015

# The Statement of Responsibilities for the Statement of Accounts

## The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In West Somerset that officer is the 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 Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the 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 District Council at 31 March 2015 and of its expenditure and income for the year ended 31 March 2015.

Shirlene Adam, FCCA  
Director of Operations  
Section 151 Officer

Date: 28 September 2015

## Approval of the Accounts

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

Chair of Audit Committee

## Movement In Reserves Statement

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

The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance 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
<b>Balance at 31 March 2013</b>		<b>991</b>	<b>1,100</b>	<b>1,295</b>	<b>216</b>	<b>3,602</b>	<b>(5,332)</b>	<b>(1,730)</b>
<b>Movement in Reserves during 2013/14</b>								
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
<b>Expenditure</b>		<b>(1,130)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,130)</b>	<b>2,686</b>	<b>1,556</b>
Adjustments between accounting basis and funding basis under regulations	7	1,407		(509)	(77)	821	(821)	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>		<b>277</b>	<b>0</b>	<b>(509)</b>	<b>(77)</b>	<b>(309)</b>	<b>1,865</b>	<b>1,556</b>
Transfers to/(from) Earmarked Reserves	8	(276)	276			0		0
<b>Increase / (Decrease) in 2013/14</b>		<b>1</b>	<b>276</b>	<b>(509)</b>	<b>(77)</b>	<b>(309)</b>	<b>1,865</b>	<b>1,556</b>
<b>Balance at 31 March 2014 Carried forward</b>		<b>992</b>	<b>1,376</b>	<b>786</b>	<b>139</b>	<b>3,293</b>	<b>(3,466)</b>	<b>(173)</b>
<b>Movement in Reserves during 2014/15</b>								
Surplus (or Deficit) on the provision of services		(9,236)				(9,236)		(9,236)
Other Comprehensive Income and Expenditure		0				0	8,582	8,582
<b>Total Comprehensive Income and Expenditure</b>		<b>(9,236)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(9,236)</b>	<b>8,582</b>	<b>(654)</b>
Adjustments between accounting basis and funding basis under regulations	7	11,299		109	78	11,486	(11,486)	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>		<b>2,063</b>	<b>0</b>	<b>109</b>	<b>78</b>	<b>2,250</b>	<b>(2,904)</b>	<b>(654)</b>
Transfers to/(from) Earmarked Reserves	8	(2,525)	2,525					
<b>Increase / (Decrease) in 2014/15</b>		<b>(462)</b>	<b>2,525</b>	<b>109</b>	<b>78</b>	<b>2,250</b>	<b>(2,904)</b>	<b>(654)</b>
<b>Balance at 31 March 2015 Carried forward</b>		<b>530</b>	<b>3,901</b>	<b>895</b>	<b>217</b>	<b>5,543</b>	<b>(6,370)</b>	<b>(827)</b>

## 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.

2013/14				2014/15			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£000	£000	£000	Notes	£000	£000	£000	
607	(298)	309	Central Services	738	(286)	452	
730	(85)	645	Cultural & Related Services	756	(182)	574	
2,457	(225)	2,232	Environmental & Regulatory Services	2,434	(247)	2,187	
303	(493)	(190)	Highways and Transport Services	321	(504)	(183)	
15,536	(14,781)	755	Housing Services	15,251	(14,313)	938	
2,162	(1,001)	1,161	Planning Services	3,178	(1,018)	2,160	
1,190	(173)	1,017	Corporate and Democratic Core	1,392	(341)	1,051	
162	0	162	Non Distributed Costs	6,205	0	6,205	
<b>23,147</b>	<b>(17,056)</b>	<b>6,091</b>	<b>Costs of Services</b>	<b>30,275</b>	<b>(16,891)</b>	<b>13,384</b>	
858	0	858	Other Operating Expenditure	9	1,366	0	1,366
850	(191)	659	Financing and Investment Income and Expenditure	10	680	(67)	613
0	(6,478)	(6,478)	Taxation and Non-Specific Grant Income	11	0	(6,127)	(6,127)
		<b>1,130</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>9,236</b>	
		(130)	(Surplus) or deficit on revaluation of property, plant and equipment assets	24		(859)	
		(2,556)	Remeasurement of the net defined benefit liability	26		(7,723)	
		<b>(2,686)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(8,582)</b>	
		<b>(1,556)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>654</b>	

## Balance Sheet

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

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

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

31 March 2014 £000		Notes	31 March 2015 £000
14,362	Property, Plant & Equipment	12	13,753
3,075	Investment Properties	13	2,733
51	Intangible assets	14	38
5	Long-term Debtors	17	9
<b>17,493</b>	<b>Long Term Assets</b>		<b>16,533</b>
3,787	Assets Held for Sale	16	1,694
2,368	Short Term Debtors	18	2,716
2,153	Cash and Cash Equivalents	19	5,651
0	Short Term Investments		6,000
<b>8,308</b>	<b>Current Assets</b>		<b>16,061</b>
(7,828)	Short Term Creditors	20	(13,248)
(743)	Provisions	21	(3,181)
<b>(8,571)</b>	<b>Current Liabilities</b>		<b>(16,429)</b>
(17,136)	Other Long Term Liabilities	22	(16,616)
(267)	Capital Grants Receipts in Advance	22	(376)
<b>(17,403)</b>	<b>Long Term Liabilities</b>		<b>(16,992)</b>
<b>(173)</b>	<b>Net Assets</b>		<b>(827)</b>
3,293	Usable Reserves		5,543
(3,466)	Unusable reserves	23	(6,370)
<b>(173)</b>	<b>Total Reserves</b>		<b>(827)</b>

## Cash Flow Statement

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

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

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

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

2013/14 £000		Notes	2014/15 £000
(1,130)	<b>Net surplus or (deficit) on the provision of services</b>		<b>(9,236)</b>
2,827	Adjustments to net surplus or deficit on the provision of services for non cash movements	29	18,875
(106)	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities	30	(2,050)
<b>1,591</b>	<b>Net cash flows from Operating Activities</b>		<b>7,589</b>
(369)	Investing Activities	32	(4,091)
0	Financing Activities		0
<b>1,222</b>	<b>Net increase or decrease in cash and cash equivalents</b>		<b>3,498</b>
931	Cash and cash equivalents at the beginning of the reporting period	19	2,153
<b>2,153</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>19</b>	<b>5,651</b>

# Notes to the Financial Statements

## 1 Accounting Policies

### General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. The Council 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 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS).

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

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

### Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance is written down and a charge made for the income that might not be collected.

### 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. The 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 Council's cash management.

### 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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## **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 Council.

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 Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accrual basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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

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

### Post-Employment Benefits

Employees of the Council are members of the Local Government Pensions Scheme administered by

Somerset County Council (SCC). The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees working for the Council.

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

- The liabilities of the Somerset County Council pension fund attributable to West Somerset are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.5% (based on the annualised yield at the 19 year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of IAS19 and with the consideration of the duration of the Employer's liabilities).
- The assets of the Somerset County Council pension fund attributable to West Somerset are included in the Balance Sheet at their fair value and include quoted securities at current bid price 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 Statement to the services for which the employees worked
- **Past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- **Net interest on the net defined benefit liability, ie net interest expense for the Council** - the change during the period in the defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- **The return on plan assets** – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- **Actuarial Gains and Losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- **Contributions paid to the Somerset County Council Pension Fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the

pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits that are earned by employees.

#### Discretionary Benefits

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

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

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

##### 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. Currently the Council does not hold any assets that meet this criteria.

##### Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for

the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

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

### **Government Grants and Contributions**

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

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

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

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

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

### **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.

### The Council as Lessee

#### **Operating Leases**

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

### The Council as Lessor

#### **Operating Leases**

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

#### **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 2014/15 (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 Council'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 Council and the cost of the item can be

measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. There are two exceptions to this:

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

#### Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

#### Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be

impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

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

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

### Depreciation

Depreciation is provided for on all 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:

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

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

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

### Disposals and Non-Current Assets Held for Sale

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

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

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

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

accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written-off value of disposals is not a charge against council tax, as the cost of 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 Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

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

### Contingent Liabilities

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

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

### Contingent Assets

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

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

## **Reserves**

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

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

accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council - 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 Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

### **VAT**

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

### **Related Party Transactions**

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

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

### **The Collection Fund**

Billing authorities in England are required by statute 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 as balances are distributed across the Balance Sheets of the billing authority, the Government and precepting authorities.

Further details on the Collection Fund use can be found within the notes to the Collection Fund in the Statement of Accounts

### **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**

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.

The Council, as an agent on behalf of Central Government carries out the collection of national non-domestic rates (NNDR). Cash collected from NNDR taxpayers by the Council (net of the cost of collection allowance) belongs to the Government and the amount not yet paid to the Government at the Balance Sheet date shall be included in the Balance Sheet as a creditor; similarly, if the cash paid to the Government exceeds the cash collected from NNDR taxpayers (net of the cost of collection allowance), the excess shall be included in the Balance Sheet as a debtor.

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

## **2 Accounting Standards That Have Been Issued But Have Not Yet Been Adopted**

The Council has yet to adopt the following accounting standards:

### **IFRS 13 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.

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.

## Annual Improvements to IFRSs (2011-2013 Cycle)

The issues included in the annual Improvements to IFRSs 2011-2013 cycle are:

- IFRS 1: Meaning of effective IFRSs;
- IFRS 3: Scope exceptions for joint ventures;
- IFRS 13: Scope of portfolio exception; and
- IAS 40: Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property

## IFRIC Interpretation 21 Levies

IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

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.

### **3 Critical Judgments in Applying Accounting Policies**

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

The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for Local Government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- A Business Rates provision has been made in the accounts for £7.946m (Council's share of this is 40%). The Council has put in its best estimate of the expenditure required to settle the present obligation based on the appeals put in by ratepayers.

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

<b>Item</b>	<b>Uncertainties</b>	<b>Effect If Actual Results Differ From Assumptions</b>
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 Council with expert advice about the assumptions to be applied.	As at 31 March 2015 the pension liability for West Somerset amounted to £16.616m. 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 £1.662m to the provision needed.
Arrears	As at 31 March 2015, the Council had a balance of corporate debtors of £0.225m. A review of balances suggested that an impairment allowance of £0.118m 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 £0.118m 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.

## **5 Material Items of Income and Expense**

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

### Housing Benefit Payments and Subsidy

The Council incurs a significant proportion of its 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 £13.284m in 2014/15 compared with £13.927m in 2013/14. Housing Benefit subsidy amounted to (£13.076m) in 2014/15 compared with (£13.788m) in 2013/14.

## **6 Events after the Balance Sheet Date**

The settlement of an outstanding business rates appeal for Hinkley Point B Power Station occurred after the balance sheet date of 31 March 2015, but is material in respect of provisions and therefore the appropriate financial statements and notes have been adjusted for 2014/15.

## **7 Adjustments between Accounting Basis and Funding Basis under Regulations**

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

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

### **General Fund Balance**

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

### **Capital Receipts Reserve**

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

### **Capital Grants Unapplied**

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

2014/15	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b><u>Adjustments involving the Capital Adjustment Account:</u></b>				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Charges for depreciation and impairment of non current assets	1,512			(1,512)
Movements in the market value of Investment Properties	36			(36)
Amortisation of intangible assets	13			(13)
Capital grants and contributions applied	(708)			708
Revenue expenditure funded from capital under statute	696			(696)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,514			(2,514)
<b><u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>				
Statutory provision for the financing of capital investment	(200)			200
<b><u>Adjustments primarily involving the Capital Grants Unapplied Account</u></b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(85)		85	0
Application of grants received in previous years			(7)	7
<b><u>Adjustment involving the Capital Receipts Reserve:</u></b>				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,050)	2,050		0
Use of the Capital Receipts Reserve to finance new capital expenditure		(141)		141
Use of the Capital Receipts Reserve to set aside to repay capital debt		(1,800)		1,800
<b><u>Adjustment involving the Pensions Reserve:</u></b>				
Actuarial past service gain adjustment	7,854			(7,854)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(651)			651
<b><u>Adjustments involving the Collection Fund Adjustment Account:</u></b>				
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	2,442			(2,442)
<b><u>Adjustment involving the Accumulating Compensated Absences Adjustment Account:</u></b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(74)			74
<b>Total Adjustments</b>	<b>11,299</b>	<b>109</b>	<b>78</b>	<b>(11,486)</b>

2013/14 Comparative Figures	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments involving the Capital Adjustment Account:</b>				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Charges for depreciation and impairment of non current assets	520	0	0	(520)
Movements in the market value of Investment Properties	(89)	0	0	89
Amortisation of intangible assets	12	0	0	(12)
Capital grants and contributions applied	(404)	0	0	404
Revenue expenditure funded from capital under statute	604	0	0	(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	0	0	(81)
Reversal of provisions relating to previously completed capital schemes				
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Statutory provision for the financing of capital investment	(25)	0	0	25
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure	(5)	0	5	0
Application of grants received in previous years	0		(82)	82
<b>Adjustment involving the Capital Receipts Reserve:</b>				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(106)	106	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(615)	0	615
<b>Adjustment involving the Pensions Reserve:</b>				
Actuarial past service gain adjustment	1,450	0	0	(1,450)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(525)	0	0	525
<b>Adjustments involving the Collection Fund Adjustment Account:</b>				
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	(92)	0	0	92
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account:</b>				
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	(14)	0	0	14
<b>Total Adjustments</b>	<b>1,407</b>	<b>(509)</b>	<b>(77)</b>	<b>(821)</b>

## 8 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2014/15.

	Balance at 31/03/13	Transfers Out	Transfers In	Balance at 31/03/14	Transfers Out	Transfers In	Balance at 31/03/15
General Fund - Revenue Earmarked	£000	£000	£000	£000	£000	£000	£000
Areas Based Grant	160	(46)	0	114	(29)	0	85
Other Earmarked Reserves	231	(171)	216	276	(164)	216	328
Seaside Towns Reserve	96	(80)	4	20	(20)	0	0
New Homes Bonus Reserve	194	(80)	0	114	(114)	0	0
DCO Reserve	48	(48)	0	0		0	0
Sustainability Reserve	325	(404)	137	58	0	0	58
Joint Management Project	0	0	395	395	(241)	122	276
Business Rate Smoothing	0	0	270	270	0	2,660	2,930
Homelessness Prevention	0	0	66	66	(22)	0	44
Planning Policy Reserve	0	0	0	0	0	62	62
Hinkley Corporate Cost	0	0	0	0	0	50	50
Revenue & Benefit Reserve	46	(7)	24	63	(16)	21	68
<b>Total</b>	<b>1,100</b>	<b>(836)</b>	<b>1,112</b>	<b>1,376</b>	<b>(606)</b>	<b>3,131</b>	<b>3,901</b>

**Area Based Grant:** is a general grant allocated directly to local authorities as additional revenue funding. It is allocated according to specific policy criteria rather than general formulae. Local authorities

are free to use all of this non-ringfenced funding as they see fit to support the delivery of local, regional and national priorities in their areas. Members have previously earmarked the balance remaining to fund the employment costs of the Economic Regeneration Manager.

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

**Joint Management and Shared Services:** This reserve represents funds set aside to help fund the costs of implementing the Joint Management and Shared Services arrangements for West Somerset and Taunton Deane Borough Council. The current balance of £275,714 is needed to fund ICT and service transformation costs in the next 1-2 years.

**Business Rates Smoothing Reserve:** The business rates funding system results in volatility in the Collection Fund balance, which the Council will need to fund in subsequent years. The Council sets aside funds in this smoothing reserve to avoid large spikes in the Revenue Budget. The impact of the Hinkley B refund creates a large deficit, and the Council has set aside £2.930m to fund deficit repayments in 2015/16 and 2016/17.

**Homelessness Prevention:** Homelessness prevention grant received as part of Revenue Support Grant, therefore appropriate sum has been earmarked in 2014/15 along with the remainder of the Mortgage Rescue Grant.

**Planning Policy Reserve:** As recognised in Member reports in 2014/15, monies have been set aside to be drawn down in 2015/16 to cover additional costs arising and relating to the West Somerset Local Plan preparation through to examination and beyond to adoption.

## 9 Other Operating Expenditure

2013/14 £000		2014/15 £000
880	Parish Council precepts	899
3	Levies	3
(25)	(Gains)/Losses on the disposal of non current assets	464
<b>858</b>	<b>Total</b>	<b>1,366</b>

## 10 Financing and Investment Income and Expenditure

2013/14 £000		2014/15 £000
72	Interest payable and similar charges	17
776	Net interest on the defined liability (asset)	658
(16)	Interest receivable and similar income	(14)
(89)	Income and Expenditure in relation to investment properties and changes in fair value	36
(84)	Other investment income	(84)
<b>659</b>	<b>Total</b>	<b>613</b>

## 11 Taxation and Non Specific Grant Income

2013/14 £000		2014/15 £000
(2,617)	Council tax income	(2,676)
(1,283)	Non domestic rates	(1,002)
(2,170)	Non-ringfenced government grants	(1,725)
(408)	Capital grants and contributions	(724)
<b>(6,478)</b>	<b>Total</b>	<b>(6,127)</b>

## 12 Property, Plant and Equipment

	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		3,085	6,938	85	10,108					10,108
Valued at:										
2014/15	42				42	2,733	523	1,694	4,950	4,992
2013/14	9,877				9,877					9,877
2012/13	6				6					6
2011/12					0					0
2010/11	108				108					108
<b>Total</b>	<b>10,033</b>	<b>3,085</b>	<b>6,938</b>	<b>85</b>	<b>20,141</b>	<b>2,733</b>	<b>523</b>	<b>1,694</b>	<b>4,950</b>	<b>25,091</b>

### 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 1 April 2014. All valuations are carried out by qualified staff within the shared Asset Management and Property team. 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.

### Depreciation

Depreciation is calculated on the following bases:

- **Buildings** – straight-line allocation over the life of the property as estimated by the Valuer. The useful economic lives of the assets held as operational buildings, as determined by the 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 2014/15	Other Land & Buildings £000	Vehicles Plant & Equip £000	Infrastructure Assets £000	Community Assets Non-Operational £000	Operational Assets £000	Total £000
<b>Cost or Valuation</b>						
<b>At 1 April 2014</b>	<b>10,272</b>	<b>3,015</b>	<b>6,916</b>	<b>85</b>	<b>523</b>	<b>20,811</b>
Additions	0	94	22	0	0	116
Revaluation increases/(decreases) recognised in the Revaluation reserve	(43)	0	0	0	0	(43)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(25)	(24)	0	0	0	(49)
Derecognition - Disposals	(171)	0	0	0	0	(171)
<b>At 31 March 2015</b>	<b>10,033</b>	<b>3,085</b>	<b>6,938</b>	<b>85</b>	<b>523</b>	<b>20,664</b>
<b>Accumulated Depreciation and Impairment</b>						
<b>At 1 April 2014</b>	<b>(31)</b>	<b>(2,866)</b>	<b>(3,552)</b>	<b>0</b>	<b>0</b>	<b>(6,449)</b>
Depreciation charge	(188)	(86)	(189)	0	0	(463)
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Provision of Services	0	0	0	0	0	0
<b>At 31 March 2015</b>	<b>(219)</b>	<b>(2,952)</b>	<b>(3,741)</b>	<b>0</b>	<b>0</b>	<b>(6,912)</b>
<b>Net Book Value</b>						
<b>As at 31 March 2015</b>	<b>9,815</b>	<b>133</b>	<b>3,197</b>	<b>85</b>	<b>523</b>	<b>13,753</b>
<b>As at 31 March 2014</b>	<b>10,241</b>	<b>149</b>	<b>3,364</b>	<b>85</b>	<b>523</b>	<b>14,362</b>

Comparative Movement in 2013/14	Other Land & Buildings £000	Vehicles Plant and Equip £000	Infrastructu re Assets £000	Community Assets Non- Operational Assets £000	£000	Total £000
<b>Cost or Valuation</b>						
<b>At 1 April 2013</b>	9,965	2,931	6,881	88	1,298	21,163
Additions	25	87	35	0	0	147
Reclassifications	(216)	0	0	0	0	(216)
Revaluation increases/(decreases) recognised in the Revaluation reserve	552	0	0	0	(200)	352
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(54)	0	0	0	0	(54)
Derecognition - Disposals	0	(3)	0	(3)	(75)	(81)
Assets reclassified (to)/from Held for Sale	0	0	0	0	(500)	(500)
<b>At 31 March 2014</b>	<b>10,272</b>	<b>3,015</b>	<b>6,916</b>	<b>85</b>	<b>523</b>	<b>20,811</b>
<b>Accumulated Depreciation and Impairment</b>						
<b>At 1 April 2013</b>	(22)	(2,797)	(3,365)	0	0	(6,184)
Depreciation charge	(167)	(69)	(187)	0	0	(423)
Impairment losses/(reversals) recognised in the Provision of Services	158	0	0	0	0	158
<b>At 31 March 2014</b>	<b>(31)</b>	<b>(2,866)</b>	<b>(3,552)</b>	<b>0</b>	<b>0</b>	<b>(6,449)</b>
<b>Net Book Value</b>						
<b>As at 31 March 2014</b>	<b>10,241</b>	<b>149</b>	<b>3,364</b>	<b>85</b>	<b>523</b>	<b>14,362</b>
<b>As at 31 March 2013</b>	<b>9,943</b>	<b>134</b>	<b>3,516</b>	<b>88</b>	<b>1,298</b>	<b>14,979</b>

### 13 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:

2013/14 £000	2014/15 £000
84	92
<b>84</b>	<b>92</b>

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

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

Movement in fair value of investment properties		
2013/14 £000		2014/15 £000
3,349	Balance at start of the year	3,075
	<i>Additions:</i>	
20	- Purchases	44
0	Disposals	(350)
89	Net gains/losses from fair value adjustments	(36)
	<i>Transfers:</i>	
217	- To/from Non-Operational Assets	0
(600)	- To/from Assets Held for Sale	0
	Other changes	
<b>3,075</b>	<b>Balance at end of the year</b>	<b>2,733</b>

### 14 Intangible Assets

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

The useful lives assigned to the major software suites used by the Council are:

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

	2013/14		2014/15	
	Other Assets £000	Total £000	Other Asset £000	Total £000
<b>Balance at start of year:</b>				
Gross carrying amount	0	0	63	63
Accumulated amortisation	0	0	(12)	(12)
<b>Net carrying amount at start of year</b>	<b>0</b>	<b>0</b>	<b>51</b>	<b>51</b>
<b>Additions:</b>				
Purchases	63	63	0	0
Amortisation for the period	(12)	(12)	(13)	(13)
<b>Net carrying amount at end of year</b>	<b>51</b>	<b>51</b>	<b>38</b>	<b>38</b>
<b>Comprising:</b>				
Gross carrying amounts	63	63	63	63
Accumulated amortisation	(12)	(12)	(25)	(25)
	<b>51</b>	<b>51</b>	<b>38</b>	<b>38</b>

## 15 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	Current	
	31 Mar 2014 £000	31 Mar 2015 £000
<b>Investment</b>		
Loans and receivables	2,153	11,651
<b>Total investment</b>	<b>2,153</b>	<b>11,651</b>
<b>Debtor</b>		
Loans and receivables	1,366	1,683
<b>Total debtors</b>	<b>1,366</b>	<b>1,683</b>
<b>Borrowings</b>		
Financial liabilities at amortised cost	3,502	1,001
<b>Total borrowings</b>	<b>3,502</b>	<b>1,001</b>
<b>Creditors</b>		
Financial liabilities at amortised cost	1,839	10,831
<b>Total creditors</b>	<b>1,839</b>	<b>10,831</b>

## 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:

2014/15	Liabilities measured at £000	Loans and Receivables £000	Total £000
Interest Expense	17		17
<b>Interest payable and similar charges (note 10)</b>	<b>17</b>	<b>0</b>	<b>17</b>
Interest Income		(14)	(14)
<b>Interest receivable and similar (note 10)</b>	<b>0</b>	<b>(14)</b>	<b>(14)</b>
<b>Net gain/loss for the year</b>	<b>17</b>	<b>(14)</b>	<b>3</b>

## 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 2014		31 March 2015	
		Carrying £000	Fair Value £000	Carrying £000	Fair Value £000
Loans and Receivables	Investments	2,153	2,153	11,651	11,651
	Debtors	1,366	1,366	1,683	1,683
		<b>3,519</b>	<b>3,519</b>	<b>13,334</b>	<b>13,334</b>
Financial Liabilities at amortised cost	Borrowings	3,502	3,502	1,001	1,001
	Creditors	1,839	1,839	10,831	10,831
		<b>5,341</b>	<b>5,341</b>	<b>11,832</b>	<b>11,832</b>

## 16 Assets Held for Sale

	Current	
	2013/14 £000	2014/15 £000
Balance outstanding at start of the year	2,842	3,787
<i>Asset newly classified as held for sale:</i>		
- Property, Plant and Equipment	767	0
- Investment Property	600	0
Revaluation losses	(380)	(144)
Revaluation gains	0	900
Impairment losses	(42)	(856)
<i>Asset declassified as held for sale:</i>		
Asset sold	0	(1,993)
Balance outstanding at end of the year	<b>3,787</b>	<b>1,694</b>

## 17 Long Term Debtors

31 March 2014 £000		31 March 2015 £000
5	Other entities and individuals	9
5	<b>Total</b>	<b>9</b>

## 18 Short Term Debtors

31 March 2014 £000		31 March 2015 £000
1,045	Central Government bodies	1,657
215	Other local authorities	74
1,586	Other entities and individuals	1,454
(478)	Impairment allowance for doubtful debt	(469)
<b>2,368</b>	<b>Total</b>	<b>2,716</b>

## 19 Cash and Cash Equivalents

31 March 2014 £000		31 March 2015 £000
127	Cash held by the Authority	98
1,352	Bank current accounts	893
1,500	Short-term deposits (call accounts)	5,410
(826)	Unpresented Cheques/BACS	(750)
<b>2,153</b>	<b>Total</b>	<b>5,651</b>

Included within the 'short-term deposits' figure in the above table as at 31 March 2015, there is a balance of £3.360m (£nil as at 31 March 2014), which is being held by the Council on behalf of the Hinkley s106 agreement.

## 20 Short Term Creditors

31 March 2014 £000		31 March 2015 £000	
(1,234)	Central Government bodies	(964)	
(606)	Other local authorities	(869)	
(5,988)	Other entities and individuals	(11,415)	
<b>(7,828)</b>	<b>Total</b>	<b>(13,248)</b>	

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 £3.502m in 2013/14 and £1.001m in 2014/15.

## 21 Provisions

		NNDR Appeals £000	Severance Costs £000	Total £000
<b>Balance as at</b>	<b>1 April 2013</b>	<b>0</b>	<b>(3)</b>	<b>(3)</b>
	Additional provisions made in 2013/14	(740)	0	<b>(740)</b>
<b>Balance as at</b>	<b>1 April 2014</b>	<b>(740)</b>	<b>(3)</b>	<b>(743)</b>
	Additional provisions made in 2014/15	(2506)	0	<b>(2,506)</b>
	Amounts used in 2014/15	68	0	<b>68</b>
<b>Balance as at</b>	<b>31 March 2015</b>	<b>(3,178)</b>	<b>(3)</b>	<b>(3,181)</b>

The Local Government Finance Act 2012 introduced changes to the accounting arrangements for Business Rates. These changes require the Council to put in a provision for appeals in respect of refunding ratepayers who have appealed the rateable value of their properties on the rating list. The Council has included a best estimate of its share of expenditure required to settle the present obligation within the collection fund (see page 53).

## 22 Other Long Term Liabilities

31 March 2014 £000		31 March 2015 £000	
(17,136)	Other Long Term Liabilities	(16,616)	
(267)	Capital Grants Receipts in Advance	(376)	
<b>(17,403)</b>	<b>Total</b>	<b>(16,992)</b>	

## 23 Unusable Reserves

31 March 2014 £000		Notes	31 March 2015 £000	
6,710	Revaluation reserve	24	6,045	
6,929	Capital Adjustment Account	25	6,538	
(17,136)	Pensions Reserve	26	(16,616)	
105	Collection Fund Adjustment Account	27	(2,337)	
(74)	Accumulating Compensated Absences Adjustment Account	28	0	
<b>(3,466)</b>	<b>Total Unusable Reserves</b>		<b>(6,370)</b>	

## 24 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.

2013/14 £000		2014/15 £000	
<b>6,649</b>	<b>Balance as at 1 April</b>		<b>6,710</b>
893	Upward revaluation of assets	1,224	
(763)	Services	(365)	
130	Surplus or deficit on revaluation of non-current assets not posted to the Surplus on the Provision of Services		859
(69)	Difference between fair value depreciation and historical cost depreciation	(63)	
0	Accumulated gains on assets sold or scrapped	(1,461)	
(69)	Amount written off to the Capital Adjustment Account		(1,524)
<b>6,710</b>	<b>Balance as at 31 March</b>		<b>6,045</b>

## 25 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.

2013/14 £000		2014/15 £000
<b>6,862</b>	<b>Balance as at 1 April</b>	<b>6,929</b>
	<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure</u>	
(520)	Charges for Depreciation and impairment of non current assets	(1,512)
(12)	Amortisation of intangible assets	(13)
(604)	Revenue expenditure funded from capital under statute	(696)
(81)	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,514)
<b>(1,217)</b>		<b>(4,735)</b>
69	Adjusting amounts written out of the Revaluation Reserve	1,524
<b>(1,148)</b>	<b>Net written out amount of the cost of non current assets consumed in the year</b>	<b>(3,211)</b>
	<b>Capital financing applied in the year:</b>	
615	Use of the Capital Receipts Reserve to finance new capital expenditure	1,941
404	Capital grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing	708
82	Capital Grant Applied	7
25	Statutory provision for the financing of capital investment charged against the General Fund balances	200
<b>1,126</b>		<b>2,856</b>
89	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Account	(36)
<b>6,929</b>	<b>Balance as at 31 March</b>	<b>6,538</b>

## 26 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.

2013/14 £000		2014/15 £000
(18,767)	<b>Balance as at 1 April</b>	(17,136)
2,556	Remeasurements of the net defined benefit liability/(assets)	7,723
(1,450)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(7,854)
525	Employer's pension contributions and direct payments to pensioners payable in the year	651
<b>(17,136)</b>	<b>Balance as at 31 March</b>	<b>(16,616)</b>

## 27 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.

2013/14 £000		2014/15 £000
<b>13</b>	<b>Balance as at 1 April</b>	<b>105</b>
92	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	(2,442)
<b>105</b>	<b>Balance as at 31 March</b>	<b>(2,337)</b>

## 28 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.

2013/14 £000		2014/15 £000
(88)	<b>Balance as at 1st April</b>	(74)
	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	
14		74
(74)	<b>Balance as at 31st March</b>	0

During 2014/15 all staff originally employed by West Somerset District Council were transferred to be employed by Taunton Deane Borough Council, therefore the accumulated absences account is no longer applicable to West Somerset District Council as at 31 March 2015.

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

2013/14 £000		2014/15 £000
423	Depreciation	463
12	Amortisation	13
97	Impairment and downward valuations	1,049
(89)	Revaluation of Investment Properties	36
1,725	(Decrease)/Increase in creditors	5,401
(1,140)	(Increase)/Decrease in debtors	(352)
81	Carrying Value of Non Current Assets Disposed	2,514
1,450	Movement in Pension Liability	7,854
(525)	Pension Payable for year	(651)
740	(Decrease)/Increase in Provisions	2,438
54	(Decrease)/Increase in Capital RIA	109
(1)	Other Movements	1
<b>2,827</b>		<b>18,875</b>

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

2013/14 £000		2014/15 £000
(106)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(2,050)
<b>(106)</b>		<b>(2,050)</b>

## 31 Cash Flow Statement – Operating Activities

The cash flow for operating activities includes the following items:

2013/14 £000		2014/15 £000
(16)	Interest Received	(14)
72	Interest Paid	17
<b>56</b>		<b>3</b>

## 32 Cash Flow Statement – Investing Activities

2013/14 £000		2014/15 £000
(475)	Purchase of Property, Plant & Equipment, Investment Property and intangible assets	(141)
0	Purchase of Short Term Investments	(6,000)
106	Proceeds from the sale of property, plant and equipment	2,050
<b>(369)</b>	<b>Net cash flows from investing activities</b>	<b>(4,091)</b>

## 33 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council'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 Council's principle services recorded in the budget reports for the year is as follows:

	Assistant Chief Executive	Corporate Services	Resources	Operational Delivery	Housing & Community	Property & Development	Planning & Environment	Business Development	Nuclear Programme	Total
<b>Income and Expenditure 2014/15</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fees, charges and other service income	(1)	(375)	(859)	(853)	(40)	(261)	(313)	(143)	(766)	(3,611)
Interest and investment income	0	0	(14)	0	0	0	0	0	0	(14)
Government grants	(26)	0	(13,282)	0	0	0	0	(13)	0	(13,321)
<b>Total Income</b>	<b>(27)</b>	<b>(375)</b>	<b>(14,155)</b>	<b>(853)</b>	<b>(40)</b>	<b>(261)</b>	<b>(313)</b>	<b>(156)</b>	<b>(766)</b>	<b>(16,946)</b>
Employee expenses	50	758	267	395	166	49	56	46	185	1,972
Other service expenses	222	1,298	14,213	2,349	280	201	392	163	515	19,633
Interest payments	0	0	218	0	0	0	0	0	0	218
<b>Total Expenditure</b>	<b>272</b>	<b>2,056</b>	<b>14,698</b>	<b>2,744</b>	<b>446</b>	<b>250</b>	<b>448</b>	<b>209</b>	<b>700</b>	<b>21,823</b>
<b>Net Expenditure</b>	<b>245</b>	<b>1,681</b>	<b>543</b>	<b>1,891</b>	<b>406</b>	<b>(11)</b>	<b>135</b>	<b>53</b>	<b>(66)</b>	<b>4,877</b>

	Assistant Chief Executive	Corporate Services	Resources	Operational Delivery	Housing & Community	Property & Development	Planning & Environment	Business Development	Nuclear Programme	Total
<b>Income and Expenditure 2013/14</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fees, charges and other service income	(24)	(201)	(499)	(907)	(42)	(236)	(271)	(123)	(469)	(2,772)
Interest and investment income	0	0	(16)	0	0	0	0	0	0	(16)
Government grants	(1)	0	(14,315)	0	(60)	0	0	(20)	0	(14,396)
<b>Total Income</b>	<b>(25)</b>	<b>(201)</b>	<b>(14,830)</b>	<b>(907)</b>	<b>(102)</b>	<b>(236)</b>	<b>(271)</b>	<b>(143)</b>	<b>(469)</b>	<b>(17,184)</b>
Employee expenses	159	1,074	549	635	278	71	317	92	316	3,491
Other service expenses	140	757	14,431	2,117	333	83	77	83	186	18,207
Interest payments	0	0	96	0	0	0	0	0	0	96
<b>Total Expenditure</b>	<b>299</b>	<b>1,831</b>	<b>15,076</b>	<b>2,752</b>	<b>611</b>	<b>154</b>	<b>394</b>	<b>175</b>	<b>502</b>	<b>21,794</b>
<b>Net Expenditure</b>	<b>274</b>	<b>1,630</b>	<b>246</b>	<b>1,845</b>	<b>509</b>	<b>(82)</b>	<b>123</b>	<b>32</b>	<b>33</b>	<b>4,610</b>

The way in which the above tables have been reported in this year's Statement of Accounts, is different to that which has been previously reported, This is due to the shared service arrangement the Council now has with Taunton Deane Borough Council and therefore figures in respect of 2014/15 and the comparative year have been prepared in line with the new reporting structure currently in place.

### 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

2013/14 £000		2014/15 £000
4,610	Net expenditure in the analysis	4,877
1,481	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	8,507
<b>6,091</b>	<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>13,384</b>

## 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.

	Analysis £000	Amounts not reported to management for decision making £000	Amount not included in the CIES £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Cost of services £000
<b>2014/15</b>							
Fees, charges and other service income	(3,611)	(626)	658	(3,318)	(6,897)	(723)	(7,620)
Interest and investment income	(14)		14		0	(99)	(99)
Income from council tax	0				0	(2,676)	(2,676)
Government grants	(13,321)				(13,321)	(2,727)	(16,048)
<b>Total Income</b>	<b>(16,946)</b>	<b>(626)</b>	<b>672</b>	<b>(3,318)</b>	<b>(20,218)</b>	<b>(6,225)</b>	<b>(26,443)</b>
Employee expenses	1,972	6,461			8,433	658	9,091
Other service expenses	19,633	692	3		20,328	3	20,331
Support Service recharges	0			3,318	3,318		3,318
Depreciation, amortisation and impairment	0	1,523			1,523	36	1,559
Interest Payments	218		(218)		0	17	17
Precepts & Levies	0				0	899	899
Gain or Loss on Disposal of Fixed Assets	0				0	464	464
<b>Total Expenditure</b>	<b>21,823</b>	<b>8,676</b>	<b>(215)</b>	<b>3,318</b>	<b>33,602</b>	<b>2,077</b>	<b>35,679</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>4,877</b>	<b>8,050</b>	<b>457</b>	<b>0</b>	<b>13,384</b>	<b>(4,148)</b>	<b>9,236</b>

	Analysis £000	Amounts not reported to management for decision making £000	Amount not included in the CIES £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Cost of services £000
<b>Comparative Figures</b>							
<b>2013/14</b>							
Fees, charges and other service income	(2,772)	(214)	617	(2,917)	(5,286)	(408)	(5,694)
Interest and investment income	(16)	0	16	0	0	(16)	(16)
Income from council tax	0	0	0	0	0	(86)	(86)
Government grants	(14,396)	0	0	0	(14,396)	(6,070)	(20,466)
<b>Total Income</b>	<b>(17,184)</b>	<b>(214)</b>	<b>633</b>	<b>(2,917)</b>	<b>(19,682)</b>	<b>(6,580)</b>	<b>(26,262)</b>
Employee expenses	3,491	128	0	0	3,619	776	4,395
Other service expenses	18,207	501	(3)	0	18,705	3	18,708
Support Service recharges	0	0	0	2,917	2,917	0	2,917
Depreciation, amortisation and impairment	0	532	0	0	532	(89)	443
Interest Payments	96	0	(96)	0	0	73	73
Precepts & Levies	0	0	0	0	0	881	881
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	(25)	(25)
<b>Total Expenditure</b>	<b>21,794</b>	<b>1,161</b>	<b>(99)</b>	<b>2,917</b>	<b>25,773</b>	<b>1,619</b>	<b>27,392</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>4,610</b>	<b>947</b>	<b>534</b>	<b>0</b>	<b>6,091</b>	<b>(4,961)</b>	<b>1,130</b>

## 34 Members Allowances

	2013/14 £000	2014/15 £000
77 Basic Allowance		77
64 Special Responsibility Allowance		64
14 Expenses		12
<b>155 Allowances paid in the year</b>		<b>153</b>

## 35 Officers Remuneration

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

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

Post holder information (Post Title)		Salary (including fees and allowances)	Expenses Allowances	Total Remuneration excluding pension	Pension contributions	Total Remuneration including pension	Annualised Salary
		£	£	£	£	£	£
Chief Executive	2014/15	120,000	1,459	121,459	0	121,459	120,000
	2013/14	123,090	1,310	124,400	0	124,400	120,000
Strategic Director A	2014/15	85,425	1,581	87,006	11,532	98,538	82,425
	2013/14	78,157	1,542	79,699	14,259	93,958	85,000
Strategic Director B	2014/15	80,400	1,354	81,754	10,854	92,608	80,400
	2013/14	73,543	1,094	74,637	13,532	88,169	80,000
Strategic Director D	2014/15	80,400	0	80,400	10,854	91,254	80,400
	2013/14	62,134	0	62,134	12,210	74,344	80,000
Assistant Chief Executive and Monitoring Officer	2014/15	63,818	6	63,824	8,615	72,439	63,818
	2013/14	15,875	417	16,292	2,921	19,213	63,500
Assistant Director A	2014/15	60,300	12	60,312	8,141	68,453	60,300
	2013/14	56,684	841	57,525	10,430	67,955	60,000
Assistant Director B	2014/15	60,300	1,659	61,959	8,141	70,100	60,300
	2013/14	56,684	1,725	58,409	10,430	68,839	60,000
Assistant Director C	2014/15	60,300	947	61,247	8,141	69,388	60,300
	2013/14	57,104	1,107	58,211	10,430	68,641	60,000
Assistant Director D	2014/15	60,441	900	61,341	8,296	69,637	60,441
	2013/14	57,403	1,239	58,642	11,293	69,935	60,000
Assistant Director E	2014/15	60,300	0	60,300	8,141	68,441	60,300
	2013/14	15,000	0	15,000	2,760	17,760	60,000
Assistant Director F	2014/15	60,300	259	60,559	8,141	68,700	60,300
	2013/14	10,000	226	10,226	1,840	12,066	60,000
Assistant Director G	2014/15	46,741	798	47,539	6,310	53,849	46,741
	2013/14	0	0	0	0	0	0
Assistant Director H	2014/15	54,494	4,734	59,228	7,357	66,585	60,300
	2013/14	0	0	0	0	0	0

These costs are shared between the two authorities on a proportionate share basis and the costs applicable to West Somerset District Council during 2014/15 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	60,730
Strategic Director A	01 January 2014	20	80	19,708
Strategic Director B	01 January 2014	20	80	18,522
Strategic Director D	01 January 2014	10	90	9,125
Assistant Chief Executive and Monitoring Officer	01 January 2014	50	50	36,220
Assistant Director A,B,C,D & E	01 January 2014	20	80	69,204
Assistant Director F	01 February 2014	50	50	34,350
Assistant Director G	01 April 2014	20	80	10,740
Assistant Director H	06 May 2014	20	80	12,004

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

Remuneration Band	2013/14 Number of employees Total	2014/15 Number of employees Total
£50,000 - £54,999	1	1
£55,000 - £59,999	0	4
£60,000 - £64,999	0	2
£65,000 - £69,999	0	3
£70,000 - £74,999	0	1
£75,000 - £79,999	0	3
£85,000 - £89,999	1	0
£105,000 - £109,999	0	1
£130,000 - £134,999	1	0

The number of exit packages with total cost per band and total cost of compulsory and other redundancies are set out in the table below and are in respect of both West Somerset Council and Taunton Deane Borough Council:

Exit Package Cost Band (including special payments)	Number Of Compulsory		Total Number Of Exit Packages By Cost		Total Cost Of Exit Packages In Each	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
£0 - £20,000	3	0	3	0	£25,530	£0
£20,001 - £40,000	4	9	4	9	£128,160	£308,870
£40,001 - £60,000	0	6	0	6	£0	£312,780
£60,001 - £80,000	3	5	3	5	£212,580	£319,060
£80,001 - £100,000	2	3	2	3	£181,450	£338,860
<b>Total</b>	<b>12</b>	<b>23</b>	<b>12</b>	<b>23</b>	<b>£547,720</b>	<b>£1,279,570</b>

### 36 External Audit Costs

2013/14 £000		2014/15 £000
56	Fees payable to external auditors with regards to external audit services carried out by the appointed auditor	56
10	Fees paid to external auditors for the certification of grant claims and returns for the year	12
<b>66</b>	<b>Total</b>	<b>68</b>

### 37 Grant Income

Contributions and donations to the Comprehensive Income and Expenditure Statement	2013/14 £000	2014/15 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	(1,579)	(1,225)
New Homes Bonus	(393)	(447)
Capital Grants and Contributions	(5)	0
Section 106 Agreement	(228)	(193)
Disabled Facilities Grant	(176)	(184)
Transformation Award	(150)	0
Capitalisation Provision	(8)	0
Section 31 - NNDR	(249)	(353)
Rural LA Transitional Funding	(23)	(5)
Community Right to Challenge	(9)	(9)
Asset of Community Value	(8)	(8)
EDF - Hinkley C S106 Contribution - Capital Grant	0	(348)
Council Tax Freeze Grant	0	(21)
Business Rates New Burden Grant	0	(10)
<b>Total</b>	<b>(2,828)</b>	<b>(2,803)</b>
<b>Credited to Services</b>		
DWP - Housing Benefit Subsidy	(13,788)	(13,076)
DSS - Benefit Administration Grant	(273)	(248)
Rent Rebate Grant	(33)	(39)
NNDR Cost of Collection Grant	(74)	(75)
DHP Grant	(140)	(59)
DCLG Benefit Admin Grant	(33)	(60)
New Burden Grant	(35)	0
EDF - Hinkley C S106 Contribution	(364)	(863)
Bellwin Scheme - Flooding	(10)	0
Section 31 - Flooding	(18)	0
National Grid PPA	(24)	(24)
CCTV Grant	0	(59)
Individual Electoral Registration (IER)	(13)	(26)
Other Grants and Contributions	(84)	(69)
DEFRA - Repair & Renewal Grant	0	(43)
DCLG - Transparency Code Set Up	0	(6)
<b>Total</b>	<b>(14,889)</b>	<b>(14,647)</b>

### 38 Related Parties

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

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. 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 2014/15, although one member has disclosed that they are named on the lease of an Investment Property held by the Council for which a rent of £0.019m was received during 2014/15.

During 2014/15 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.

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 2014/15.

During 2014/15 no senior officers of the Council declared any material pecuniary interest in any works, services or grants commissioned or awarded by the Council.

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

Grant payments, other than precepts were also made to Parish Councils where District Council Members are also Parish Council Members. In all instances, the grants were made with proper consideration of declarations of interest. The relevant Members did not take part in any discussion or decision relating to the grants. The total paid to Parish Councils during 2014/15 other than Precept payments amounted to £0.015m.

Related party transactions with the precepting bodies are disclosed on page 54, note 48-49 and with the pension fund which is on pages 47-49, note 42 respectively within the Statement of Accounts. The Council had no significant interest in companies.

Amounts due to or from those parties able to control or influence the Council or to be controlled / influenced by the Council during 2014/15 are as follows:

	2014/15 £000
Amounts due to Central Government	964
Amounts due to other Local Authorities	869
Amounts due from Central Government	1,657
Amounts due from other Local Authorities	74

### 39 Capital Expenditure and Capital Financing

2013/14 £000		2014/15 £000
<b>7,658</b>	<b>Opening Capital Financing Requirement</b>	<b>7,633</b>
	<u>Capital Investment</u>	
147	Property, Plant and Equipment	116
20	Investment Properties	44
63	Intangible Assets	0
267	Assets Held for Sale	0
604	Revenue Expenditure Funded from Capital under Statute	696
	<u>Sources of finance</u>	
(615)	Capital receipt	(141)
(486)	Government Grant and other contributions	(715)
	<u>Sums set aside from revenue</u>	
(25)	MRP/loans fund principle	(2,000)
<b>7,633</b>	<b>Closing Capital Financing Requirement</b>	<b>5,633</b>
	<u>Explanation of movements in year</u>	
(25)	Increase / (Decrease) in underlying need to borrowing (unsupported by government financial assistance)	(2,000)
<b>(25)</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(2,000)</b>

### 40 Leases

#### Council as Lessee

#### **Finance Leases**

The Council 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 2014 £000	31 March 2015 £000
Land and Buildings	41	39
<b>Total</b>	<b>41</b>	<b>39</b>

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

The value as at 31 March 2014 has been restated from £0.032m to £0.041m as a result of the incorrect asset value being recorded in respect of one of the assets concerned.

## Operating Leases

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

	2013/14 £000	2014/15 £000
Not later than one year	89	75
Later than one year and not later than five years	254	203
Later than five years	111	86
	<b>454</b>	<b>364</b>

The expenditure charged to the Comprehensive Income and Expenditure Statement during 2014/15 in relation to these leases was £0.083m.

### Council 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 Council'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 Council 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 District Council during 2009/10 in recognition of the disposal, extinguished the debtor liability immediately.

### Operating Leases

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

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

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

	2013/14 £000	2014/15 £000
Not later than one year	93	93
Later than one year and not later than five years	371	365
Later than five years	2,449	2,362
	<b>2,913</b>	<b>2,820</b>

#### 41 Impairment Losses

Impairment losses have been recorded, where applicable, following the formal revaluation exercise undertaken on the Council's asset base, carried out by qualified staff within the shared Asset Management and Property team as at 1 April 2014.

## 42 Defined Benefit Pension Schemes

### Participation in pension schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that 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 Council 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 pension payments as they eventually fall due.

### Transactions relating to retirement benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on 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	2013/14 £000	2014/15 £000
<u>Comprehensive Income and Expenditure Statement</u>		
<u>Cost of Services</u>		
- Service costs	667	(2,551)
- Administration Expenses	7	8
<u>Financing and Investment Income and Expenditure:</u>		
- Net interest on the defined liability	776	658
<b>Total Post Employment Benefits charged to the Provision of Services</b>	<b>1,450</b>	<b>(1,885)</b>
<u>Remeasurement of the net defined liability comprising:</u>		
- Return on assets (excluding the amount included in the net interest expense)	269	906
- Change in financial assumptions	500	(3,208)
- Change in demographic assumptions	(1,431)	0
- Experience (gain) / loss on defined benefit obligation	2,750	243
- Liabilities assumed / (extinguished) on settlements	0	9,782
- Other actuarial (gains) / losses on assets	468	0
<b>Total Post Employment Benefit Charged to the Income and Expenditure Statement</b>	<b>2,556</b>	<b>7,723</b>
<u>Movement in Reserves Statement</u>		
- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	(1,450)	(7,854)
<u>Actual amount charged against the General Fund balance for pensions in the year:</u>		
- Employers contributions payable to scheme	525	651

## Assets and Liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

Reconciliation of present value of the scheme liabilities	Funded liabilities: Local Government Pension Scheme	
	2013/14 £000	2014/15 £000
<b>Opening balances as at 1 April</b>	<b>(36,243)</b>	<b>(35,583)</b>
Current service cost	(638)	(388)
Interest cost	(1,501)	(1,254)
Change in financial assumptions	500	(3,208)
Change in demographic assumptions	(1,431)	0
Contributions by scheme participants	(141)	(90)
Experience loss / (gain) on defined benefit obligation	2,750	243
Benefits Paid Out	1,058	1,506
Past service costs, including curtailments	(29)	(286)
Settlements	0	9,739
Unfunded Pension Payments	93	93
<b>Closing balance as at 31 March</b>	<b>(35,583)</b>	<b>(29,228)</b>

Reconciliation of fair value of scheme assets:

Reconciliation of Fair Value of the Scheme Assets	2013/14 £000	2014/15 £000
<b>Opening balances as at 1st April</b>	<b>17,476</b>	<b>18,447</b>
Interest on assets	725	596
Return on assets less interest	269	906
Other actuarial gains / (losses)	468	43
Administration expenses	(7)	(8)
Employer contributions	525	651
Contributions by scheme participants	141	90
Benefits paid	(1,150)	(1,599)
Settlement	0	(6,514)
<b>Closing balance as at 31st March</b>	<b>18,447</b>	<b>12,612</b>

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

Scheme History	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
Present value of liabilities:	(28,635)	(32,651)	(36,243)	(35,583)	(29,228)
Fair value of assets in the Local Government Pension Scheme	16,295	15,657	17,476	18,447	12,612
<b>Surplus/(deficit) in the scheme:</b>	<b>(12,340)</b>	<b>(16,994)</b>	<b>(18,767)</b>	<b>(17,136)</b>	<b>(16,616)</b>

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £16.616m 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 £0.827m. 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 (£15.110m) and unfunded obligations (£1.506m).

The total projected contribution the Council expects to make to the Local Government Pension Scheme in the year to 31 March 2016 is £0.445m.

### Basis for estimating assets and liabilities

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 Liabilities	Local Government Pension Scheme	
	2013/14	2014/15
Long-term expected rates of return on assets in the scheme:	6.0%	13.0%
Mortality assumptions:		
<u>Longevity at 65 for current pensioners</u>		
- Men	23.6	23.7
- Women	26.0	26.1
<u>Longevity at 65 for future pensioners</u>		
- Men	25.8	26.0
- Women	28.3	28.4
Rate of inflation - RPI	3.6%	3.2%
Rate of inflation - CPI	2.8%	2.4%
Rate of increase in salaries	4.6%	4.2%
Rate of increase in pensions	2.8%	2.4%
Rate for discounting scheme liabilities	4.5%	3.3%
Take up option to convert annual pension into retirement lump sum	10.0%	10.0%

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	2013/14	2014/15
Equities	71%	70%
Gilts	6%	7%
Other bonds	11%	10%
Property	10%	9%
Cash	2%	4%
<b>Total</b>	<b>100%</b>	<b>100%</b>

Sensitivity Analysis	Local Government Pension Scheme		
	£000	£000	£000
<b>Adjustment to discount rate</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	28,707	29,228	29,758
Projected service cost	479	491	503
<b>Adjustment to long term salary increase</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	29,233	28,228	29,222
Projected service cost	491	491	491
<b>Adjustment to pension increases and deferred revaluation</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	29,757	29,228	28,708
Projected service cost	503	491	479
<b>Adjustment to mortality age rating assumption</b>	<b>+1 Year</b>	<b>None</b>	<b>-1 Year</b>
Present value of total obligation	28,212	29,228	30,251
Projected service cost	475	491	507

### 43 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 2015 the Council owned two such properties, 7, and 15 Clanville Grange for which it paid £0.194m. The Deed of Pre-emption has rendered the properties at Clanville Grange un-mortgageable and in order to address this, in January 2014 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 when they are sold on, they will be sold with a 25% discount and with a restrictive Covenant rather than a Deed of Pre-emption. This means that there will be no ongoing liability to the Council. One property (Number 21) has already been removed from the scheme in this way.

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

### 44 Contingent Assets

**Hinkley Point C** - Of the £28.000m mitigation monies in respect of the Hinkley Point C site preparation works project, the largest part of this, some £17.000m, has been and is due to be paid to West Somerset District Council upon commencement of earthworks at the Hinkley Point site. EDF has commenced earthwork in May 2014, when West Somerset District Council received £9.600m from EDF. A further £2.400m was paid in May 2015.

The remainder of the mitigation monies due to be paid to West Somerset District Council (about £2.000m) 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 Council's 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 has so far resulted in funding being made available to a range of both public and community-led projects of around £1.300m.

### 45 Nature and Extent of Risks Arising From Financial Instruments

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

- Credit risk - the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk - the possibility that the Council might not have funds available to meet its

- commitments to make payments;
- **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 2014/15 Treasury Management Strategy which incorporated the prudential indicators was approved by Council on 26 March 2014 and is available on the Council website. Full Council approved the current strategy on 18 March 2015. The key issues within the 2014/15 strategy were:

- The Authorised Limit for 2014/15 was set at £10.000m. This is the maximum limit of external borrowings or other long-term liabilities.
- The Operational Boundary was expected to be £7.700m. This is the expected level of debt and other long-term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and fully based on the Council's net debt.

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

### **Credit risk**

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

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

<b>Aged Debt Analysis</b>	<b>31 March 2014</b>	<b>31 March 2015</b>
Less than three months	254,600	80,406
Three to six months	22,000	30,385
Six months to one year	61,400	60,471
More than one year	569,500	586,433
<b>Total</b>	<b>907,500</b>	<b>757,695</b>

At the beginning of 2014/15 the provision for impairment of sundry debts (excluding council tax & business rates) stood at £0.402m. The Council has now made a provision for impairment of sundry debts of £0.397m in the 2014/15 accounts, which is an overall decrease of £0.005m. 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 2014 £000	31 March 2015 £000	Notes
West Yorkshire PCC	3,500	1,000	Repayable in February 2016
<b>Total</b>	<b>3,500</b>	<b>1,000</b>	

### 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 (with 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.



## 46 Business Rates

2013/14		2014/15
£		£
31,377,851	Total non-domestic rateable value at end of year (31 March)	31,289,671
47.1p	National non-domestic rate multiplier for the year	48.2p
46.2p	Small business non-domestic rate multiplier for the year	47.1p

## 47 Council Tax Base

Band	Chargeable Dwellings	Conversion Factor	Band D Equivalent	Income £000
A	2,013	6/9	1,342	1,979,115
B	3,064	7/9	2,383	3,514,329
C	2,893	8/9	2,572	3,793,057
D	2,645	9/9	2,645	3,900,714
E	1,477	11/9	1,805	2,661,924
F	1,047	13/9	1,512	2,229,822
G	541	15/9	902	1,330,225
H	34	18/9	68	100,283
	<b>13,714</b>		<b>13,229</b>	<b>19,509,468</b>

## 48 Council Tax Amount (Band D)

2013/14		2014/15
£		£
1,027.30	Somerset County Council	1,027.30
168.03	Police & Crime Commissioner for Avon & Somerset	171.37
75.39	Devon and Somerset Fire and Rescue Authority	76.89
137.82	West Somerset District Council	137.82
59.92	Parish/Tow n Councils	61.37
<b>1,468.46</b>	<b>Total</b>	<b>1,474.75</b>

## 49 Precepts and Demands

2013/14		2014/15
£000		£000
13,213	Somerset County Council	13,590
2,161	Police & Crime Commissioner for Avon & Somerset	2,267
970	Devon and Somerset Fire and Rescue Authority	1,017
1,773	West Somerset District Council	1,823
771	Parish/Tow n Councils	812
<b>18,888</b>	<b>Total</b>	<b>19,509</b>

## 50 Allocation of Council Tax Year End Surplus

2013/14		2014/15
£000		£000
373	Somerset County Council	338
62	Police and Crime Commissioner for Avon and Somerset	58
28	Devon and Somerset Fire and Rescue Authority	26
72	West Somerset District Council	67
<b>535</b>	<b>Total</b>	<b>489</b>

## 51 Allocation of Non Domestic Rate Year End Surplus

2013/14		2014/15
£000		£000
42	Central Government	(3,007)
7	Somerset County Council	(541)
1	Devon and Somerset Fire and Rescue Authority	(60)
33	West Somerset District Council	(2,405)
<b>83</b>	<b>Total</b>	<b>(6,013)</b>

# Annual Governance Statement

## Introduction

This document relates to the 2014/15 financial year which started on 1<sup>st</sup> April 2014 and ended 31<sup>st</sup> March 2015.

This was a period of significant challenge and change for the Council. Following on from the appointment of a joint Chief Executive and senior management team between West Somerset Council and Taunton Deane Borough Council, during the latter part of 2013/14, the Councils continued to join together the remainder of their officer structure during 2014/15, resulting in the majority of the joint staffing structure being in place by 1<sup>st</sup> February 2015.

This change resulted in a number of officers leaving the Council and some others taking on new roles and responsibilities but all staff forming part of 'One Team' of officers to serve two sovereign councils and their communities.

This significant structural change was a first for Somerset and one of few similar such arrangements within the West of England and has led to total annual savings of £1.802m being delivered to the Councils and the local taxpayer.

Despite the scale and pace of this change no new corporate risks, associated with this undertaking, have been identified by the Council's auditors (South West Audit Partnership).

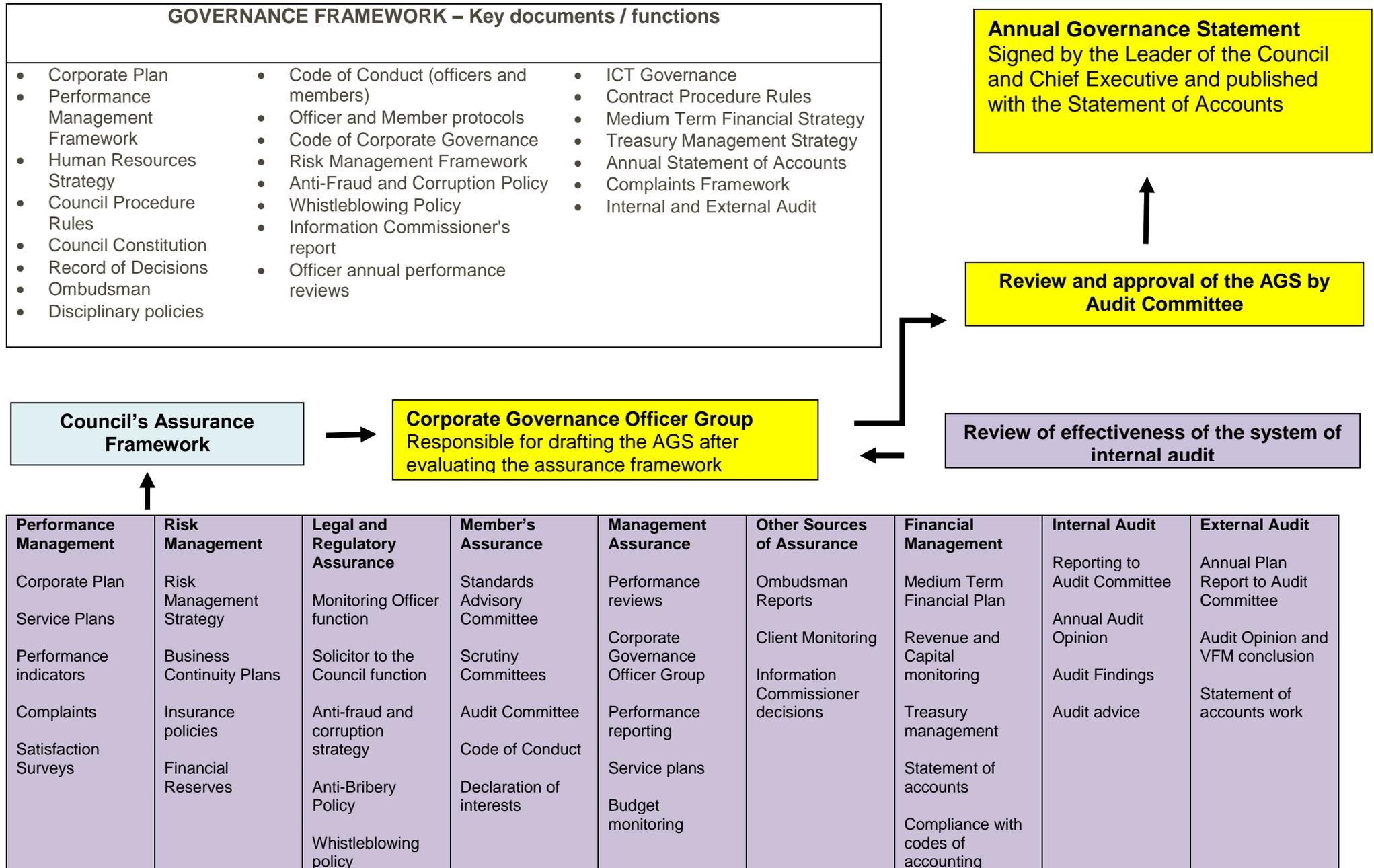
This Annual Governance Statement provides an account of the processes, systems and records in place during 2014/15 which demonstrate assurance for the effectiveness of the framework of governance of the District Council to discharge its responsibilities.

The various sources of assurance and the process leading to the creation of the Annual Governance Statement are illustrated on page 3 of this document.

Governance is about how local government bodies, such as the Council, ensure that they are doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner.

There are SIX core principles of governance adopted by the Council's Audit Committee which are used as reference points for the assurance about the effectiveness of the Council's governance arrangements. For each principle a table is provided within this document setting out what arrangements are in place and what assurance each provides.

## AGS Process and Sources of Assurance Overview



## **Scope of Responsibility**

West Somerset District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

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

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

West Somerset District Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework "Delivering Good Governance in Local Government". A copy of the code can be obtained from The Monitoring Officer, West Somerset District Council, West Somerset House, Killick Way, Williton, TA4 4QA on request.

This statement explains how West Somerset District Council has complied with the code and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011 which requires all relevant bodies to prepare an annual governance statement.

## The Governance Framework

West Somerset District 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*. These principles of good governance are:

1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
2. Members and Officers working together to achieve a common purpose with clearly defined functions and roles;
3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behavior;
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risks;
5. Developing the capacity and capability of Members and Officers to be effective;
6. Engaging with local people and other stakeholders to ensure robust public accountability.



## **The Purpose of the Governance Framework**

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

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

The governance framework has been in place at West Somerset District Council for the year ended 31 March 2015 and up to the date of approval of the statement of accounts.

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

How we have set out our vision and the outcomes we wish to achieve	Assurances Received
<ul style="list-style-type: none"> <li>• Members, working with officers, have developed a four year <u>Corporate Plan</u> (2012-2016) which describes the Council's priorities, key activities and intended outcomes for citizens and service users, our vision and our core values. This feeds into Service Plans, Team plans and personal plans.</li>   <li>• <u>Joint Management and Shared Service Business Plan</u> created jointly between West Somerset Council and Taunton Deane Borough Council setting out how one team of officers would be created to support the two sovereign Councils and deliver significant savings to each.</li> </ul>	<ul style="list-style-type: none"> <li>• Performance Management Framework – the Council uses different performance measures (quality, outputs, value for money, customer satisfaction) to give an overview of Council performance and stimulate improvement. Information is published quarterly on our website in the form of reports and minutes against the corporate priorities and targets and reported to the Council's leadership team, Scrutiny Committee and Cabinet for review and challenge;</li>   <li>• Updates on progress against the Joint Management and Shared Service Business Plan provided to Scrutiny in April and September 2014 and the closedown report for phase 1 presented to Scrutiny in March 2015.</li>   <li>• Externally reported data: Government Single Data List;</li>   <li>• Internal Audit reports;</li>   <li>• External Audit reports;</li>   <li>• Employee annual review process linked to the Council's objectives.</li> </ul>

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

### Source of assurance

The Council's Constitution is at the heart of the Council's business. It allocates power and responsibility within the local authority, and between it and others.

The constitution is kept under review. All proposed changes are considered by the Corporate Policy Advisory Group and Full Council.

All officers have defined role descriptions which set out their personal roles and responsibilities.

There is a member/officer protocol that sets out the standards of behaviour expected to ensure an appropriate working relationship between members and officers (page 343 of the Council's Constitution).

Members work with officers to develop and approve the Corporate Plan, setting out the Council's priorities. Officers use the Corporate Plan to align service delivery with the Council's priorities and regularly report progress to the Cabinet.

Portfolio holders and the shadow portfolio holders meet key officers on a regular basis to discuss relevant issues within their portfolio.

The Leader and Chief Executive meet regularly in order to maintain a shared understanding of respective roles and the Council's objectives.

A 'One Team' newsletter is produced monthly and is issued to all officers and Members highlighting successes, emerging issues, corporate messages in order that both Members and officers share a common understanding of key issues affecting the organisation.

Members and officers work jointly on advisory and steering groups in respect of key corporate projects (e.g. Transformation).

A Member induction programme is in place for new Members.

Officer induction programme is in place for new employees to ensure they have knowledge of the organisation, its values and priorities.

The Chief Executive's annual appraisal is undertaken as per the agreed process

Service plans are clearly linked to the corporate plan and the Medium Term Financial Plan (MTFP), both of which are developed between Members and officers. 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.

**3. Promoting the values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behavior.**

Source of assurance	Where found
External Audit of Accounts	
Members and staff Codes of Conduct	<u>Constitution</u>
Scheme of Delegation	<u>Constitution</u>
Anti-fraud and Corruption Strategy	<u>On our website</u>
Anti-bribery policy	<u>On our website</u>
Financial Regulations	<u>Constitution</u>
Standing Orders on Procurement and Contracts	<u>Constitution</u>
Register of Member Interests - Councillors are required to register their pecuniary and other interests. They are also required to register pecuniary interests of their spouse or live-in partner, if applicable	Published on the <u>Council's website</u> and available as a pdf to download.
Register of officer Interests – includes details of financial, contractual or business interests, whether remunerated or not (including those of close family) which have or could have any connection with the work of or provision of services by the Council or by any of its direct suppliers contractors or partners.	This is held in paper format and retained by Democratic Services.
Corporate Complaints and Feedback	<u>Website</u>

<p>Staff Discipline Policy</p>	<p>Taunton Deane Borough Council Intranet – (HR pages) and the West Somerset shared W:Drive (with effect from 1<sup>st</sup> February 2015 all West Somerset Employees have become employed by Taunton Deane Borough Council)</p>
<p>Local Government Ombudsman Annual Review Letter 2014</p>	<p>Available on the <u>performance</u> page of the Council's website.</p>
<p>Whistleblowing Policy - The Council has in place arrangements for individuals to raise concerns where they believe that staff do not demonstrate the expected core values and behaviour.</p>	<p><u>On our website</u></p>
<p>The Council set values for the organisation and publish these within our Corporate Plan.</p>	<p><u>Corporate Plan</u> on our website</p>
<p>The Register of Gifts and Hospitality records all gifts, gratuities, facilities, entertainment, tickets to events, meals and benefits in kind from whatever source given or received by Council officers or close family as a result of or in connection with a relationship formed through Council business unless the actual or estimated value is negligible.</p>	<p>Public documents and can be viewed at the Council Offices</p>
<p>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.</p> <p>The full role and functions of the Committee are set out within the Council's Constitution.</p> <p>During 2014/15 no formal complaints, alleging breaches of the code of conduct, had been received in respect of WSC Councillors.</p>	<p><u>Constitution &amp; Our Website</u></p>

#### 4. Taking informed and transparent decisions which are subject to effective scrutiny and risk management arrangements

Source of assurance	Where found
West Somerset District Council has a published Constitution that sets out the decision-making arrangements and the responsibilities for different functions. There are clear rules of procedure for the running of business meetings and details of delegated authorities to individuals. The Monitoring Officer is responsible for the Constitution.	<a href="#">Constitution</a>
The Scrutiny Committee can scrutinise matters to be considered by committees or the Council in order to provide challenge to decisions to be made or policies to be adopted.	<a href="#">Constitution</a> and our <a href="#">website</a>
The Forward Plan - The Council is required to publish a document which sets out details of planned key decisions at least 28 calendar days before they are due to be taken. This Forward Plan sets out key decisions to be taken at Cabinet meetings as well as, if applicable, individual executive decisions to be taken by either the Leader, a Cabinet Member or an Officer.	Available on our <a href="#">website</a>
Protocol on decision making - The Council issues and keeps an up to date a record of what part of the Council or individual has responsibility for particular types of decisions or decisions relating to particular areas or functions	<a href="#">Constitution</a>
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). Auditors test compliance with good practice and internal policies and procedures, reporting their findings to officers and to the Councils Audit Committee.	<a href="#">Southwest Audit Partnership</a>
All reports to Council or committee contain a section relating to risk which ensures known risks are considered as part of the decision making process	Reports available via our <a href="#">website</a>
All reports to Council or committee contain a section relating to legal implications which ensures legal opinion is considered as part of the decision making process	Reports available via our <a href="#">website</a>
All reports to Council or committee contain a section relating to Finance which ensures financial implications are considered as part of the decision making process	Reports available via our <a href="#">website</a>

Monitoring Officer and the Solicitor to the Council– responsible for ensuring the legality of the actions of the Council and promoting good standards of ethical and corporate governance.	Roles defined in the <a href="#">Constitution</a>
Council meetings are open to the public (with the exception of items that are exempt under the Access to Information Act). The Council advertises meetings, communicate decisions and minutes to ensure they are publicly available in a timely manner.	<a href="#">Constitution</a> & Our <a href="#">website</a>
In accordance with the Openness of Local Government Bodies Regulations 2014 recording is allowed at all formal meetings of the authority to enable those not present to see or hear the proceedings either as they take place (or later) and to enable the reporting of those proceedings.	See the third party recording protocol available on our <a href="#">website</a>
Voice recording takes place in Council meetings which allows any challenges over the accuracy of minutes to be resolved based on fact rather than recollection thereby aiding transparency.	Recordings held by Democratic Services.
Call-in mechanism is in place in relation to challenging decisions made by the Cabinet which allows re-consideration and further debate of the issue.	<a href="#">Constitution</a>
The Council operates an Audit Committee which is independent of the Executive and Scrutiny functions of the Council. The committee provides independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance, to the extent that it affects the authority's exposure to risk and weakens the control environment and to oversee the financial reporting process.	<a href="#">Constitution</a> & Our <a href="#">website</a>
Monthly Budget monitoring by budget holders and quarterly finance reporting to Members helps ensure an accurate position of the Council's finances is available when financial decisions are made.	Reports available via our <a href="#">website</a>
Basic open data information required under the Transparency Code is available on the Council's website including spend over £500, senior officer pay etc. to aid transparency of the operation and conduct of the Council.	Our <a href="#">website</a>
Freedom of Information / Environmental Information Regulations permitting scrutiny of information held by the Council of any matter (subject to exceptions and exemptions)	Our <a href="#">website</a>
Area panels – these are meetings set up to engage with discreet communities to invite people to raise any issues that affect their community or quality of life so that we can work together to tackle them.	See our <a href="#">website</a> for more information

Panels meet quarterly and membership includes, the Police, Highways, County, District and Parish Councillors, together with other local organisations. Area panels have been created in Dunster, Minehead, Exmoor and Watchet, Williton & Quantock Vale.

## 5. Developing the capacity and capability of members and officers to be effective in their roles

### Source of assurance

Staff have an annual appraisal meeting with their manager. Performance is reviewed and an action plan for the next period is set. This assists the member of staff in the performance of their work, helps to develop their skills and identifies any training needs as well as identifying how their role sits with the delivery of Corporate Priorities.

Southwest Audit Partnership (SWAP) in conjunction with Devon Audit Partnership Audit committee provided training 3 Oct 2014 at Sparkford Motor Museum & 10 Oct 2014 at Buckfast Abbey, Devon. The invite was issued to all Audit Committee members.

A corporate training programme is in place covering a variety of skills and knowledge to help staff become more effective.

On the 8 and 9 April 2014 Councillors William Nunn and David Tutt(both LGA Peers) visited the Council and worked with Members and officers to develop a framework for the Member Development programme. The key findings from this work suggested that the two Councils (West Somerset DC and Taunton Deane BC) should look at joint training opportunities for both sets of members. Councillor Gill Slattery from Taunton Deane Borough Council and Councillor Peter Murphy from West Somerset Council were appointed as Member Champions on Member Development.

With assistance from the LGA, Member Champions and Officers undertook an initial desk top exercise to look at other Councils who had either worked in partnership and/or transformed their services, to see if there was any relevant learning for Taunton Deane and West Somerset.

Taking on board the importance of communicating with Members, a OneTeam newsletter has been produced monthly which is sent to all Members and staff and contains, amongst other things, information relating to the implementation of the joint working business case and this has been extremely well received. In addition, a Joint Programme Advisory Group consisting of five elected Members from Taunton Deane and West Somerset Councils has met regularly and proved an effective vehicle for keeping Councillors advised of progress and disseminating that information where necessary.

#### Member Development Events held :

28 April 2014 – New Joint Management Team presented their staff restructuring proposals

3 July 2014 – representatives from Breckland Council and Eastbourne Borough Council gave presentations on their respective Authorities’ approach to transformation.

15 September 2014 – members of Taunton Deane and West Somerset Council’s Joint Programme Advisory Group (JPAG) and senior officers met with the Chief Executive, Finance Director, Head of Change and Members from West Dorset DC /Weymouth & Portland BC in order to learn more about Council working together and sharing resource and how they have approached service transformation.

2 October 2014 – the Leader of Eastbourne Borough Council gave a more detailed and practically based presentation on how the Council had transformed its services, particularly through the use of technology

17 February 2015 – representatives from West Devon and South Hams Councils gave a presentation on their journey through shared services to transformation and the Chief Executive of Exeter City Council gave a presentation on the City’s Journey to increasing its economic prosperity and regional status.

There was a Joint Member discussion at the workshop on 17 February 2015 giving those Members present the opportunity to set out any thoughts that could be taken forward after the May 2015 election.

## 6. Engaging with local people and other stakeholders to ensure robust public accountability

Source of assurance	Where found (if applicable)
Greater corporate use of Social Media – a WSC Twitter account has been created and has shown a significant increases in ‘followers’ during the year and an approved Social Media Policy is in place.	Twitter @wsomerset
The Council produces an Annual Statement of Accounts and publishes these on its website.	Statement of accounts page on Council <a href="#">website</a>
The Corporate Plan (2012-2016) which describes the Council’s priorities, key activities and intended outcomes for citizens and service users, our vision and our core values.	See our priorities and corporate plan on our <a href="#">website</a>
Performance Management Framework – the Council uses different performance measures (quality, outputs, value for money, customer satisfaction) to give an overview of Council performance and stimulate improvement; information is published quarterly on our website in the form of reports and minutes against the corporate priorities and targets and reported to the Council’s leadership team, Scrutiny Committee	See performance page on our <a href="#">website</a>

and Cabinet for review and challenge. Local people can use performance information, to hold the council to account and have a bigger say on what happens in their communities.	
The Council Tax booklet shares details on the Council's financial position (i.e. a summary of the Statement of Accounts), priorities, and other useful information and is available on line and also available in paper format on request.	Council Tax booklet available on our <a href="#">website</a>
The Council encourages all types of feedback (complaints, compliments, comments & suggestions) from a number of channels (website, telephone, e-mail/letter, face-to-face), and these are logged on a central database for analysis and review.	Complaints and comments page of our <a href="#">website</a>
Local Government Ombudsman Annual Review Letter 2014 is published on our website setting out the number of complaints against the Council made to the Ombudsman in the previous year together with the outcome of those complaints.	Available on the <a href="#">Performance page</a> of our website.
An annual satisfaction survey is undertaken and results fed back to Cabinet as part of Quarter One performance monitoring.	See quarter one 2014 performance report on our <a href="#">website</a>
The Council produces several e-newsletters to which stakeholders can subscribe. These include business newsletter, community matters newsletter and employment & skills newsletter.	<a href="#">Subscription</a> available from our website.
Public Consultation – throughout the year officers continued to attend and deliver input into a wide range of community and business based groups. Key groups include EDF Energy's Community Forum, Main Site Forum, Transport Forum, Stogursey Parish Council, WSC Area Panels, Hinkley Strategic Delivery Forum (and theme groupings within that for Skills and Employment & training / Supply Chain development / Housing), the Somerset Nuclear Energy Group, Delivery Steering Group, Planning Obligations Board, Transport Steering Group, Emergency Services and Local Authority Group, Health Task and Finish Group, EDF Employment & Skills Operational Group, Education Inspire Group, Local Supply Chain Engagement Forum and Hinkley Tourism Action Partnership.	
Regular News articles are placed on the home page of the WSC Website promoting emerging issues and decisions and press releases given to the West Somerset Free Press newspaper.	News and Press Releases page of our <a href="#">website</a>

Council meetings are open to the public (with the exception of items that are exempt under the Access to Information Act). The Council advertises meetings, communicates decisions and minutes to ensure they are publicly available in a timely manner.

[Constitution & Our Website](#)

Area panels – these are meetings set up to engage with discreet communities to invite people to raise any issues that affect their community or quality of life so that we can work together to tackle them. Panels meet quarterly and membership includes, the Police, Highways, County, District and Parish Councillors, together with other local organisations. Area panels have been created in Dunster, Minehead , Exmoor and Watchet, Williton & Quantocks

[Council Meeting pages of our website](#)

The New Nuclear Programme Team officers continue to attend and deliver input into a wide range of community and business based groups. Key groups include EDF Energy’s Community Forum, Main Site Forum, Transport Forum, Stogursey Parish Council, WSC Area Panels, Hinkley Strategic Delivery Forum (and theme groupings within that for Skills and Employment & training / Supply Chain development / Housing), the Somerset Nuclear Energy Group, Delivery Steering Group, Planning Obligations Board, Transport Steering Group, Emergency Services and Local Authority Group, Health Task and Finish Group, EDF Employment & Skills Operational Group, Education Inspire Group, Local Supply Chain Engagement Forum and Hinkley Tourism Action Partnership.

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

## **Review of Effectiveness**

West Somerset District Council has responsibility for conducting, at least annually, a review of its governance framework including the effectiveness of the system of internal control.

The review for the 2014/15 statement was carried out on 4<sup>th</sup> June 2015 by officers of the Corporate Officers Governance Group, made up of the Internal Audit Manager, Section 151 Officer, Monitoring Officer, Assistant Director Corporate Services and The Corporate Strategy & Performance Manager.

The review of the effectiveness is informed by senior managers within the Council who have responsibility for the development and maintenance of the governance environment, and also by the work of the internal auditors and external auditors.

The opinion of the Internal Auditors was that overall the control environment was reasonable in 2014/15 (the opinion was also "reasonable" in 2013/14).

**In its review of effectiveness, the Authority has assessed its overall governance arrangements remain adequate and fit for purpose.**

Some areas where further improvements could be made have been identified and these have been included within the Action Plan (Appendix A) which we will seek to address during the 2015/16 financial year.

## **Certification**

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

### **On behalf of West Somerset Council:**

Signed: .....  
Anthony Trollope-Bellew  
Leader of the Council

Signed: .....  
Penny James  
Chief Executive

The review of our governance framework identified some areas where further improvements could be made. These are shown below. We will seek to address these during the 2015/16 financial year (April 2015 to March 2016).

Issue	Action	AD	When
<b>Corporate Plan</b>  1. The Council's current Corporate Plan expires April 2016.	<ul style="list-style-type: none"> <li>Refresh the Council's Corporate Priorities and Corporate Plan, re-focusing on the purpose of the Council and on outcomes for the community. Take through the democratic process and publicise through traditional and social media.</li> </ul>	Richard Sealy	Priorities – Oct 15 Plan – Feb 16
<b>Transparency</b>  2. Meet increased transparency requirements.	<ul style="list-style-type: none"> <li>Add further open data to the Council's website to meet the requirements of the Transparency Code 2015 to meet the Government's desire to place more power into citizens' hands to increase democratic accountability and make it easier for local people to contribute to the local decision making process and help shape public services</li> </ul>	Richard Sealy	By September 2015
<b>Developing ONE TEAM working.</b>  3. Ensuring staff have the knowledge and skills of key controls and governance processes.	<ul style="list-style-type: none"> <li>Develop a new staff Intranet, so there is a single repository of up to date policy and procedures which staff can easily access irrespective of their location.</li> <li>Develop and implement robust staff induction process</li> <li>Deploy eLearning solution in order to deliver refresher training in DPA, FOI, Health and safety etc and have a real-time record of who has undertaken the training.</li> </ul>	Richard Sealy  Richard Sealy  Richard Sealy	Ongoing  Dec 15  Early Sept 15

<p><b>ICT security policy</b></p> <p>4 The ICT security policy requires updating. Highlighted by Audit.</p>	<ul style="list-style-type: none"> <li>• Update the policy and take through the democratic process.</li> <li>• Provide awareness to all staff of the new policy;</li> <li>• document the process for undertaking user access rights;</li> <li>• look to implement an appropriate level of monitoring of system security logs.</li> </ul>	Richard Sealy	By 31st Oct
<p><b>Health &amp; Safety</b></p> <p>5 SWAP identified health and safety risks in relation to parks and open spaces that require mitigation.</p>	Progress the two issues identified as per the agreed management action plan for these audits.	Chris Hall	<p>August 15 – issue one</p> <p>Target date for completion April 2016 – issue two</p>
<p><b>Assurance</b></p> <p>6 Ensuring the ‘basics’ are in place within each team.</p>	Initiate a process of assurance that the basics are in place across the One Team– for example regular team meetings, risk registers, appraisals etc	Richard Sealy	31 <sup>st</sup> Oct 2015

The following actions were identified within the 2013/14 Annual Governance Statement as matters which the Council sought to progress during 2014/15.

Action	Comment
1. Improve the communication of the authority's purpose and vision and its intended outcomes to citizens and users	In light of the Council's Corporate Priorities being refreshed during 2015/16 it seems sensible to carry over this action but to ensure that the refreshed priorities, together with vision and outcomes are effectively communicated to our stakeholders through a range of media and channels.
2. Draft a community engagement and communications plan for the Council.	Not progressed as not considered to be a priority issue.
3. Undertake comparisons with other Councils to evidence value for money is being achieved.	<p>Officers have registered with an organisation called LG Inform which compiles performance information relating to a number of Council services. Additional sources of comparative information are also used such as the datasets provided by the Department for Communities and Local Government (DCLG).</p> <p>Where data is available benchmarking can be carried out. However, since the Best Value Performance Indicators were abolished the range of comparable performance information available is more limited than it once was.</p> <p>A number of visits and events have taken place at officer and Member level with other Councils in relation to joint working and transformation in order that we can identify new ways of working and further efficiencies to use our limited resources most effectively.</p>

Action	Comment
<p>4. Undertake Member Development as part of the overall joint working programme.</p>	<p><u>Member Development Events held :</u>  3 July 2014 – representatives from Breckland Council and Eastbourne Borough Council gave presentations on their respective Authorities' approach to transformation.</p> <p>15 September 2014 – members of Taunton Deane and West Somerset Council's Joint Programme Advisory Group (JPAG) and senior officers met with the Chief Executive, Finance Director, Head of Change and Members from West Dorset DC /Weymouth &amp; Portland BC in order to learn more about Council working together and sharing resource and how they have approached service transformation.</p> <p>2 October 2014 – the Leader of Eastbourne Borough Council gave a more detailed and practically based presentation on how the Council had transformed its services, particularly through the use of technology</p> <p>17 February 2015 – representatives from West Devon and South Hams Councils gave a presentation on their journey through shared services to transformation and the Chief Executive of Exeter City Council gave a presentation on the City's Journey to increasing its economic prosperity and regional status.</p> <p>There was a Joint Member discussion at the workshop on 17 February 2015 giving those Members present the opportunity to set out any thoughts that could be taken forward after the May 2015 election.</p> <p>A comprehensive Member induction programme has been put in place as a result of the May 2015 local elections which will be open to existing Members also should they require refresher training.</p>
<p>5. Prepare an annual summary of progress of the key actions to deliver the 2013-16 Corporate Plan, also achievements and challenges throughout the year.</p>	<p>In light of the significant organisational changes which took place in 2014/15 this action was not considered to be a high priority. The aim is to look at this during 2015/16. Performance updates against the Corporate Plan have however been regularly reported to Scrutiny and Cabinet throughout the year and published on the Council's website and the corporate plan has been refreshed annually.</p>

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

**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 Council'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 a council 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 District 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 a council's accounts 'present fairly' the financial position of the council.

**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 District Council owes money to others. There are different types of liability: -

- A current liability is a sum of money that will or might be payable during the next accounting period.  
e.g. creditors or cash overdrawn.
- A deferred liability is a sum of money that will not be payable until some point after the next accounting period or is paid off over a number of accounting periods.

**Loans and Receivables**

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 council.

**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 council, analysed into 'usable reserves' and 'unusable reserves'.

**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 through 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.