# West Somerset District Council Audited Statement of Accounts 2015/16

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# Narrative Statement

**STATEMENT BY THE DIRECTOR OF OPERATIONS**

This report highlights some of the most important matters reported in the accounts and provides a management commentary on the financial performance and standing of the Council. The commentary is focussed both on the performance in the past year and on issues affecting the Council in 2016/17 and beyond.

**COUNCIL'S PERFORMANCE**

This has been another challenging year of budget cuts and difficult choices. We have, however, continued to deliver the savings from the One Team management across Taunton Deane and West Somerset Councils and have found savings through joint working and efficient use of our resources. We have set our 2016/17 budget by implementing a wide range of savings which have not all been palatable but necessary with limited options as we work from a very "lean" position.

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

Illustrations of how the Council has performed during 2015/16 are shown below:

**Energy Infrastructure programme**

- Community Impact Mitigation (CIM) Fund – West Somerset Council administer and make decisions on the release of the CIM Fund which was secured to help mitigate the impact of the Hinkley Point C development. The CIM Fund was launched in May 2014. In meeting its corporate objective to support and fund projects within the District £522,619 has been committed to West Somerset based projects in 2015/16, with £239,942 having been spent in the District since the fund was launched.

- Economic Development and Tourism – in delivering approved initiatives in the areas of Economic Development, Land Management, Employment and Skills, and Tourism to meet its corporate objective of maximising the benefits of the Hinkley Point C project for local people and local businesses, the Council has spent £107,554 leaving £346,953 to deliver further activity.

- Leisure – in meeting its corporate objective and after having worked with the community, the Council has approved funding for a wide variety of projects within the District to support organisations who deliver services and facilities where sports and leisure activity takes place. £653,000 has been committed to projects during 2015/16 with £61,667 having been spent leaving £591,000 to be spent in the coming years.

**Transformation programme**

- Legal Services Partnership – a tri-district legal services partnership between Mendip District Council, West Somerset District Council and Taunton Deane Borough Council was launched in 2015/16. The partnership will deliver savings to each partner and offer additional resilience to the Council.

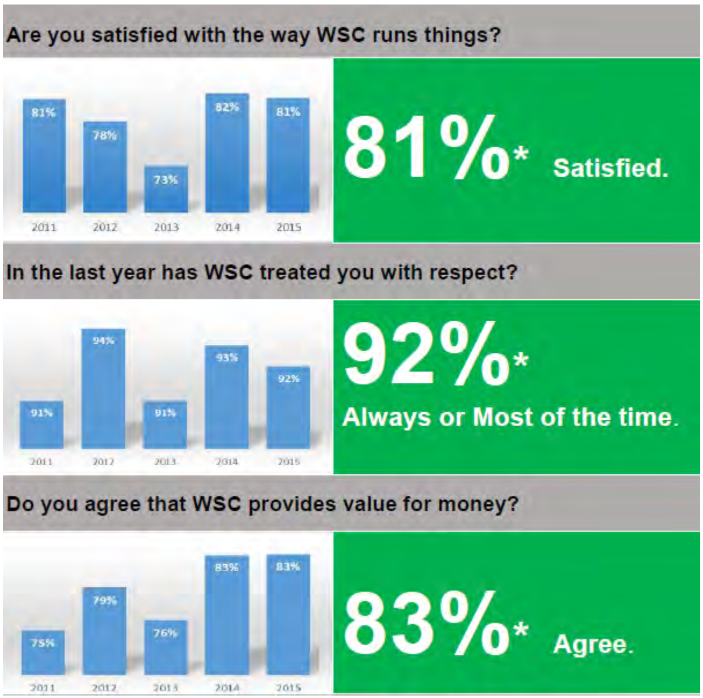
- Building Control Partnership – during 2015/16 we completed work to launch a four-district building control partnership. The partnership involves Mendip District Council, West Somerset District Council, Taunton Deane Borough Council and Sedgemoor District Council and went live in April 2016.

- Staff Terms and Conditions – a review was undertaken to identify additional ongoing savings. Changes will come into effect from April 2016.

### Resident Satisfaction Survey

The Council issued a Resident's Satisfaction Survey with each of the 18,000 2015/16 year Council Tax bills and also published the Survey online.

We received 785 responses to the Survey. A summary of the results to the three main questions is provided below:




* 95% confidence that responses represent view of all households

## FINANCIAL PERFORMANCE

### Economic Environment

It has been well documented that Local Government has seen major cuts in funding over several years now and 2015/16 saw us with a challenging budget gap to close and the prospect of further cuts to come with some of our grants changed or extinguished completely. We now know that Revenue Support Grant (RSG) will virtually disappear by 2019/20 and with the responses to a consultation on New Homes Bonus Grant currently being considered by Government, we are taking action to achieve financial sustainability.

Although all councils are subject to these cuts, West Somerset have to approach them from a position whereby significant cuts have already been made over several years and therefore there is little scope for "easy" savings options.

We have taken steps to: examine all of our costs; look at our risk profile and realign our minimum reserves level accordingly; we have looked at the profile of our Minimum Revenue Provision for debt repayment and found significant savings by realigning the repayments; we use earmarked reserves to mitigate the effect of business rates appeals and we set aside funds in reserves where there is committed expenditure and a need to mitigate the expense.

### The Council's Financial Resilience

In addition to the trend of reducing funding from Government, the Council also took significant action during 2015/16 to identify urgent in-year budget savings and release funds held in earmarked reserves.

The Council's financial position was significantly hit as a result of a large reduction in the business rates due on Hinkley B nuclear power station. The impact of the appeal was reflected in the Council's 2014/15 accounts, however this saw our general reserves drop to the minimum acceptable level. The external auditor, Grant Thornton UK LLP, raised concerns and reported a qualified value for money conclusion in September 2015 due to concerns over our financial resilience.

In addition, the Council has identified important investment requirements to manage and maintain our assets, which has resulted in the need to allocate additional funding from reserves in 2015/16.

The Council therefore took action to increase reserves in the year to increase balances to a more acceptable level.

**Financial Management**

**Revenue**

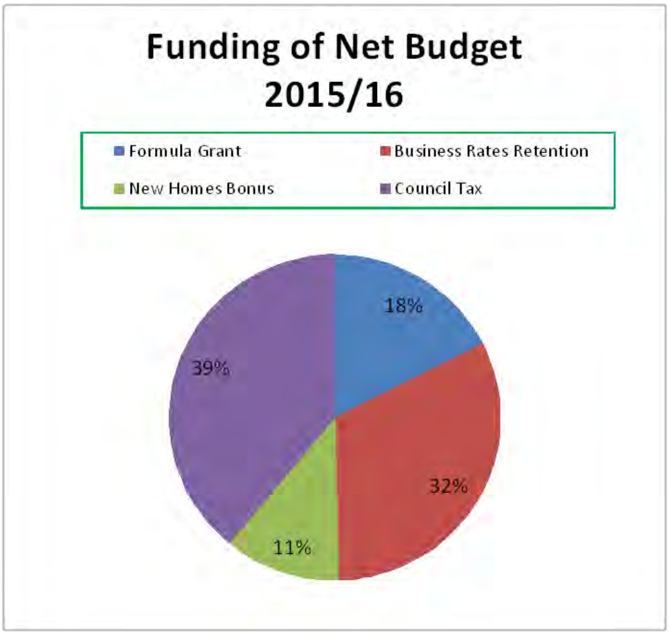
The financial standing of the Council is under continual scrutiny, but as at 31 March 2016 the position is adequate. We work to ensure we have sound and improving financial management practices. The Council reported a net underspend of £199,132 in 2015/16 with this balance transferred to general reserves.

**FINANCIAL OVERVIEW**

**General Fund Revenue Budget and Reserves**

The Council's original Net Budget for 2015/16 (excluding parish precepts) was £4.812m, representing the net cost of General Fund services funded by grants, business rates and council tax as shown in the following table and graph. Through supplementary budget changes for planned use of reserves the final net budget was £5.012m.

| | £k |
|---|---:|
| Revenue support grant | 880 |
| Retained business rates | 1,755 |
| Business rates Collection Fund deficit | (150) |
| New Homes Bonus | 571 |
| Council tax Collection Fund surplus | 70 |
| Council Tax income | 1,886 |
| Net Budget | 5,012 |




In setting the budget for 2015/16 the Council increased Council Tax by 1.99%. This meant the annual Band D Council Tax charge for services provided by the Council rose to £140.56.

The Council's actual net expenditure in 2015/16 was £4.972m and we retained £0.159m more in Business Rates than budgeted which results in a reported net underspend on the final budget of £0.199m (4.0% of Net Budget). The net underspend arose due to variances in several budget areas. The most significant underspends have been reported against rent allowances; Garden Waste; Parking and Asset Maintenance. These together with other smaller underspends have enabled the Council to offset budget overspends/shortfalls in arriving at the net position. We also retained more Business Rates income in the year than anticipated, although this is a skewed position due the accounting arrangements under Business Rates Retention with collection fund losses being offset in 2015/16 by a transfer from the Collection Fund Adjustment Account, and the credit has been set aside in our business rates smoothing reserve. The following table provides a summary of the financial results for the year compared to budget.

| General Fund Outturn 2015/16 | Budget £k | Actual £k | Variance £k | % |
|---|---|---|---|---|
| Corporate | 564 | 545 | (19) | (3.4) |
| Operations | 3,422 | 3,197 | (225) | (7.0) |
| Housing and Communities | 435 | 271 | (164) | (37.7) |
| Growth and Development | 242 | 264 | 22 | 9.0 |
| Hinkley | (151) | (152) | (1) | (0.6) |
| Interest and Other income | (9) | (19) | (10) | (111.1) |
| RCCO | 98 | 52 | (46) | (46.9) |
| Transfers from Earmarked Reserves | (433) | (577) | (144) | |
| Transfers to Earmarked Reserves | 500 | 1,047 | 547 | |
| Transfer to General Reserves | 344 | 344 | 0 | |
| **Net Budget** | 5,012 | 4,972 | (40) | (0.8) |
| **Funding** | (5,012) | (5,171) | (159) | (3.2) |
| **Net Under(-)/Overspend for the year** | **0** | **(199)** | **(199)** | **(4.0)** |

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

The General Fund Reserves have increased from £0.530m at the start of the year to £1.073m at 31 March 2016. Approved allocations from General Reserves in early 2016/17 reduce this balance to £0.707m, which is just £0.107m above the recommended minimum balance. Later in this statement I explain the financial challenges and risks faced by the Council. Having reserves at this level provides some resilience as the Council continues to strive for a robust and sustainable financial position.

The Council also carries Earmarked Reserve balances, which represent funds that have been set aside to support specific spending in future years. The General Fund Earmarked Reserves balance at 31 March 2016 stands at £4.370m. This balance covers a wide variety of known planned spending commitments, including: Business Rates funding deficit (which will be charged to revenue budget in 2016/17 and 2017/18); the JMASS project and Homelessness provision with some other smaller commitments which we have prudently put aside. Although this figure appears high in relation to the Council's spending position, the majority of these Earmarked Reserves will be spent during 2016/17 with £3.389m being immediately required to fund the Business Rates Collection Fund Deficit.

**Capital Spending and Reserves**

In addition to our spending on day-to-day service provision, the Council spends money on assets such as buildings, asset disposal costs, IT equipment and systems, and the provision of capital grants to others such as disabled facilities and decent homes grants. Capital expenditure in the year totalled £1.823m (£0.854m in 2014/15). This included spending of £0.949m on General Schemes and £0.874m on Hinkley impact mitigation schemes.

| **Summary Capital Spend** | **£k** | **Sources of Capital Funding** | **£k** |
|---|---|---|---|
| Affordable Housing | 213 | Capital Receipts | 578 |
| Seaward Way Project | 84 | Capital Grants | 236 |
| Asset Disposal/Demolition Costs | 72 | Revenue Contributions | 51 |
| Play Equipment | 40 | S106 General | 84 |
| Vehicles, Plant and Equipment | 133 | S106 Hinkley | 874 |
| Disabled Facilities Grants | 138 | | |
| IT systems and hardware | 122 | | |
| Hinkley impact mitigation projects | 874 | | |
| Other schemes | 147 | | |
| **Total** | **1,823** | **Total** | **1,823** |

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

The Capital Programme has committed approved capital spending in future years of £2.252m. Overall the Council has sufficient resources available to meet its current approved capital programme but recognises that significant further funds will be required to meet any future aspirations.

Capital reserves reflect funds set aside to fund investment in capital items in future years, and largely comprise grants, contributions and capital receipts that are committed on projects to be completed in the current approved capital programme. The Council currently holds £3.554m of capital reserves, providing funding for the approved capital spending referred to above.

**Balance Sheet**

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

| | **31 March 2015** | **31 March 2016** |
|---|---|---|
| | **£k** | **£k** |
| Non-current assets | 16,533 | 16,257 |
| Net current assets – debtors, stock and cash less short term creditors and liabilities | (368) | (787) |
| Long term liabilities and provisions | (16,992) | (16,421) |
| **Net Assets/(Liabilities)** | **(827)** | **(951)** |
| Represented by: Usable reserves | 5,543 | 8,130 |
| Represented by: Unusable reserves | (6,370) | (9,081) |
| **Total Reserves** | **(827)** | **(951)** |

**Treasury Management**

Total cash and cash equivalents at 31 March 2016 were £9.496m. The main factors that would affect cash in the future are:

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

West Somerset Council Funds:

| | **31 March 2015** | **31 March 2016** |
|---|---|---|
| | **£k** | **£k** |
| Cash and other cash equivalents | 2,291 | 325 |
| Short term investments | 0 | 2,001 |
| **Total** | **2,291** | **2,326** |

Hinkley Investments:

| | **31 March 2015** | **31 March 2016** |
|---|---|---|
| | **£k** | **£k** |
| Cash and other cash equivalents | 3,360 | 3,157 |
| Short term investments | 6,000 | 4,013 |
| **Total** | **9,360** | **7,170** |

**Pensions**

The Council's share of the overall Pension Fund deficit decreased from £16.600m at 31 March 2015 to £15.600m at 31 March 2016. The deficit has decreased by 6%, which is largely due to a change in the financial valuation assumptions by the actuaries.

With the staff moving under the employment of Taunton Deane Borough Council, the accounts of West Somerset Council focus on the deficit which had to be retained on the balance sheet and which is addressed by an agreed lump sum payment from the Council each year. In 2015/16 this lump sum is £0.260m rising to £0.310m in 2016/17. The value of the Pension Fund changes with a number of different assumptions made by the actuary which means that although the deficit will be reduced by the lump sum it may change both up and down due to the assumptions the actuaries employ and by the return on the Pension Fund investments.

**ENVIRONMENTAL**

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

From the latest published performance information published by the Somerset Waste Board (April to Sept 2015) key headlines are:

West Somerset recycling centre recovery rates = 81% (95,016 visits were made to the three recycling centres in West Somerset).

West Somerset household recycling = 160 kilograms per household (April to Sept)

West Somerset household waste (including recycling) = 360 kilograms per household (April to Sept)

Total household waste has reduced in 2015/16 on the same period in 2014/15 which is good news. The amount of waste recycled has reduced slightly.

**FINANCIAL CHALLENGES IN 2016/17**

For 2016/17, the Council had to address a budget gap in the region of £0.600m. This has resulted primarily from the aftermath of the Business Rates Appeal decision for Hinkley; falling levels of funding, inflation (contractual and employee), pension deficit contributions, the national insurance changes and other less significant factors.

As part of the Settlement details, Central Government gave all district councils the power to raise Council Tax by £5 for a Band D property without the need for a referendum. West Somerset took this option which raised £0.030m towards the budget gap.

2016/17 sees the introduction of a Rural Services Delivery Grant (RSDG). This has previously been distributed as part of Revenue Support Grant (RSG) but is now shown separately. For 2016/17 we received £0.212m of RSDG. Whilst this recognition of the rural nature of our district is welcomed, the impact of this new grant is mitigated by the reduction of £0.330m to RSG.

As part of the Final Settlement documents there was a proposal to councils to respond to a consultation on New Homes Bonus. This consultation covered a wide range of areas pertinent to the New Homes Bonus calculations and distribution. The predominant question was whether the Council had an appetite to reduce the allocation from Central Government of the grant from a 6 year calculation to a 4 year calculation, possibly even down to only 2 years. Although for the District Council this appears to be a moot question as we would not welcome a fall in grant, for Unitary and County Councils this may be attractive as the reduction in distribution is intended by Central Government to be redirected “to support authorities with specific pressures, such as in adult social care budgets”.

In order to be able to reduce the budget gap going forward our transformation project is pivotal. Only with a new approach to service provision will we be able to begin to close the gap and continue to provide services which meet the needs of our public. The details of our transformation programme will emerge over the next few months.

## PRINCIPAL RISKS AND UNCERTAINTIES

A risk management strategy is in place to identify and evaluate risks. There are clearly defined steps to support better decision making through the understanding of risks, whether a positive opportunity or a threat and the likely impact. We also use our risk register as a tool to help demonstrate and calculate our minimum acceptable level of reserves. This year we increased this from £0.500m to £0.600m as more risks emerged and funding has reduced.

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

The key areas of corporate risk at March 2016, centred on:

- Financial uncertainty / budgetary pressures
- Asset Management – regulatory compliance
- Impact of welfare reform – impact on our residents and our rental income
- Business continuity – preparedness for disaster / major incident
- Non-compliance with national law or policy
- Delivering services with a reduced staffing capacity
- Delivering an effective transformation programme
- Hinkley Point C – impact on local accommodation and highways, and/or Economic and Social opportunities may not be realised.
- NHS trusts claims for mandatory business rates relief.

## WHAT'S NEXT?

During 2015/16 the Council developed its new Corporate Strategy for the next four years (1 April 2016 to 31 March 2020). The key elements of the Strategy are: refreshed high-level priorities for the Council, design principles for our organisation, refreshed vision and clarity on the role and purpose of the Council.

This Corporate Strategy is available on the 'Corporate Priorities' page of our website.

The key outcomes we are going to be working on are:

- Helping our communities remain sustainable and vibrant is vital in keeping West Somerset a great place in which to live and work.

- Access to well-paid employment is key to retaining young people and raising living standards across West Somerset.

- West Somerset is a beautiful place to visit and in which to live and work. We want to keep West Somerset a place to be proud of and one which is well maintained and welcoming to residents, visitors and businesses alike.

- Like all Councils, we continue to be challenged by significant budget cuts and pressure on services. Many of the challenges ahead of us cannot be solved by the District Council on its own. We need to continue to collaborate with a range of organisations to deliver and enable outcomes that are important to our communities and find new ways of working that ensure we continue to get the best possible value out of the funds available to us.

- Maximising the local economic benefits from Hinkley Point C.

## TRANSFORMATION

We have now, through the approved Corporate Strategies, clear design principles that will shape our transformation vision. We need to move forward now and formally test our ability to transform through the development of a high level Business Case. This will articulate our Transformation Vision and test the delivery of this in three sequential variants:

- As now, with two separate councils supported by the ONE Team.
- In one merged Council (TDBC and WSC), supported by the ONE Team.
- As two separate Councils with their own transformation agendas.

The three variants will be developed simultaneously to ensure we can reach a decision point as quickly and safely as possible. It is envisaged this work will take 3-4 months and will report in July 2016.

## DEVOLUTION

In September 2015 the Heart of the South West (HotSW) submitted its Devolution Statement of Intent to Government. After considerable further work during autumn 2015, the partners – 17 local authorities, two National Parks, the Local Enterprise Partnership (LEP) and the three Clinical Commissioning Groups – are now in a position to commence detailed negotiations with Government on a devolution deal.

Government has challenged local leadership teams to treat productivity as “the challenge of our time”. They have asked us to do that by “fixing the foundations” of infrastructure, skills, and science through a devolution revolution delivering long-term public and private investment.

With Government support for our proposition, by 2030 the Heart of the South West can accelerate delivery of 163,000 new jobs, 179,000 new homes and an economy of over £53bn Gross Value Added (GVA).

Our proposals build upon successful and strong business leadership through our Local Enterprise Partnership: we cannot deliver effective economic interventions without a strong business voice.

We anticipate a positive outcome from negotiations on our deal and we hope to begin formal negotiations with Government imminently.

## EXPLANATION OF ACCOUNTING STATEMENTS

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

- The **Movement in Reserves Statement** (page 15) 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 16) brings together details of the Council’s day-to-day revenue spending and income on its services, and other gains and losses in the year.
- The **Balance Sheet** (page 17) provides a snapshot of the Council’s financial position at 31 March and sets out what is owned and what is owed.
- The **Cash Flow Statement** (page 18) summarises the flows of cash into and out of the Council during the year.
- The **Notes to the Financial Statements** (pages 19-71) provide supplementary information on some of the figures contained within the primary statements. They also include accounting policies, which guide the treatment of income and expenditure, and disclosures relating to the assets and liabilities of the Council.

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

**FURTHER INFORMATION**

Further information on the contents of these statements and additional copies of this booklet can be obtained from:

S Adam FCCA, Section 151 Officer, West Somerset House, Killick Way, Williton, TA4 4QA
Telephoning: (01823) 356310
E-mail to: s.adam@tauntondeane.gov.uk

# Independent Auditor's Report

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

We have audited the financial statements of West Somerset District Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). 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 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the 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 the Director of Operations' Responsibilities, 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 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

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

**Opinion on financial statements**

In our opinion the financial statements:

- present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

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

**Opinion on other matters**

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

**Matters on which we are required to report by exception**

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

**Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources**

**Respective responsibilities of the Authority and 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 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and to report to you if we are not satisfied that the Authority has made proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

**Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources**

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

# Independent Auditor's Report

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

**Basis for qualified conclusion**

In considering the Authority's arrangements for securing efficiency, economy and effectiveness we identified the following matter:

The Council does not have a balanced medium term financial plan covering the period until 31 March 20121 and, as at the date of my opinion, had no plans in place to address the budgeted shortfall of £1.182 million.

This matter is evidence of weaknesses in proper arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.

**Qualified conclusion**

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, except for the effects of the matter described in the Basis for qualified conclusion paragraph, we are satisfied that, in all significant respects, the Authority put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

**Certificate**

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Act and the Code.

*Peter Barber*

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

Hartwell House
55 – 61 Victoria Street
Bristol
BS1 6FT

21 September 2016

# 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 2016 and of its expenditure and income for the year ended 31 March 2016.

Shirlene Adam, FCCA
Director of Operations
Section 151 Officer

Date: 19 September 2016

**Approval of the Accounts**

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

Chair of Audit Committee

# 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. This is 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 Reserves £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total Council Reserves £000 |
|---|---|---|---|---|---|---|---|---|
| **Balance at 31 March 2014** | | **992** | **1,376** | **786** | **139** | **3,293** | **(3,466)** | **(173)** |
| **Movement in Reserves during 2014/15** | | | | | | | | |
| Surplus (or Deficit) on the provision of services | | (9,236) | 0 | 0 | 0 | **(9,236)** | **0** | **0** |
| Other Comprehensive Income and Expenditure | | 0 | 0 | 0 | 0 | **0** | **8,582** | **8,582** |
| **Total Comprehensive Income and** | | **(9,236)** | **0** | **0** | **0** | **(9,236)** | **8,582** | **(654)** |
| Adjustments between accounting basis and funding basis under regulations | **7** | 11,299 | 0 | 109 | 78 | **11,486** | (11,486) | **0** |
| **Net Increase/Decrease before Transfers to Earmarked Reserves** | | **2,063** | **0** | **109** | **78** | **2,250** | **(2,904)** | **(654)** |
| Transfers to/(from) Earmarked Reserves | **8** | (2,525) | 2,525 | 0 | 0 | **0** | **0** | **0** |
| **Increase / (Decrease) in 2014/15** | | **(462)** | **2,525** | **109** | **78** | **2,250** | **(2,904)** | **(654)** |
| **Balance at 31 March 2015 Carried forward** | | **530** | **3,901** | **895** | **217** | **5,543** | **(6,370)** | **(827)** |
| **Movement in Reserves during 2015/16** | | | | | | | | |
| Surplus (or Deficit) on the provision of services | | (263) | | | | (263) | | (263) |
| Other Comprehensive Income and Expenditure | | 0 | | | | 0 | 139 | 139 |
| **Total Comprehensive Income and** | | **(263)** | **0** | **0** | **0** | **(263)** | **139** | **(124)** |
| Adjustments between accounting basis and funding basis under regulations | **7** | 1,275 | | 1,335 | 240 | 2,850 | (2,850) | 0 |
| **Net Increase/Decrease before Transfers to Earmarked Reserves** | | **1,012** | **0** | **1,335** | **240** | **2,587** | **(2,711)** | **(124)** |
| Transfers to/(from) Earmarked Reserves | **8** | (469) | 469 | | | | | |
| **Increase / (Decrease) in 2015/16** | | 543 | **469** | **1,335** | 240 | 2,587 | (2,711) | (124) |
| **Balance at 31 March 2016 Carried forward** | | **1,073** | **4,370** | **2,230** | **457** | **8,130** | **(9,081)** | **(951)** |

## Comprehensive Income and Expenditure Statement

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

| 2014/15 Gross Expenditure £000 | 2014/15 Gross Income £000 | 2014/15 Net Expenditure £000 | | Notes | 2015/16 Gross Expenditure £000 | 2015/16 Gross Income £000 | 2015/16 Net Expenditure £000 |
|---|---|---|---|---|---|---|---|
| 738 | (286) | 452 | Central Services to the Public | | 512 | (127) | 385 |
| 756 | (182) | 574 | Cultural and Related Services | | 962 | (236) | 726 |
| 2,434 | (247) | 2,187 | Environmental and Regulatory Services | | 2,435 | (265) | 2,170 |
| 321 | (504) | (183) | Highways and Transport Services | | 318 | (549) | (231) |
| 15,251 | (14,313) | 938 | Other Housing Services | | 15,816 | (14,636) | 1,180 |
| 3,178 | (1,018) | 2,160 | Planning Services | | 2,594 | (827) | 1,767 |
| 1,392 | (341) | 1,051 | Corporate and Democratic Core | | 958 | (62) | 896 |
| 6,205 | 0 | 6,205 | Non Distributed Costs (see footnote) | | 0 | (344) | (344) |
| **30,275** | **(16,891)** | **13,384** | **Cost of Services** | | **23,595** | **(17,046)** | **6,549** |
| 1,366 | 0 | 1,366 | Other Operating Expenditure | **9** | 250 | 0 | 250 |
| 680 | (67) | 613 | Financing and Investment Income and Expenditure | **10** | 550 | (182) | 368 |
| 0 | (6,127) | (6,127) | Taxation and Non-Specific Grant Income and Expenditure | **11** | 0 | (6,904) | (6,904) |
| | | **9,236** | **(Surplus) or Deficit on Provision of Services** | | | | **263** |
| | | (859) | (Surplus) or deficit on revaluation of Property, Plant and Equipment assets | **23** | | | 1,136 |
| | | 0 | Surplus or deficit on revaluation of available for sale financial assets | **24** | | | (12) |
| | | (7,723) | Remeasurement of the net defined benefit liability | **26** | | | (1,263) |
| | | **(8,582)** | **Other Comprehensive Income and Expenditure** | | | | **(139)** |
| | | **654** | **Total Comprehensive Income and Expenditure** | | | | **124** |

**Footnote:** Non Distributed Costs in 2014/15 included £6,514k in respect of pension settlements/curtailments relating to the transfer of employees from West Somerset Council to Taunton Deane Borough Council.

# 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 2015 £000 | | Notes | 31 March 2016 £000 |
|---|---|---|---|
| 13,753 | Property, Plant and Equipment | 12 | 11,481 |
| 2,733 | Investment Properties | 13 | 1,696 |
| 38 | Intangible Assets | 14 | 77 |
| 0 | Long-term Investments | 15 | 2,997 |
| 9 | Long-term Debtors | | 6 |
| **16,533** | **Long Term Assets** | | **16,257** |
| 1,694 | Assets Held for Sale | 16 | 1,615 |
| 2,716 | Short Term Debtors | 17 | 4,930 |
| 5,651 | Cash and Cash Equivalents | 18 | 3,482 |
| 6,000 | Short Term Investments | 15 | 6,014 |
| **16,061** | **Current Assets** | | **16,041** |
| (13,248) | Short Term Creditors | 19 | (16,057) |
| (3,181) | Provisions | 20 | (771) |
| **(16,429)** | **Current Liabilities** | | **(16,828)** |
| (16,616) | Other Long Term Liabilities | 42 | (15,560) |
| (376) | Long Term Creditors | 19 | (861) |
| **(16,992)** | **Long Term Liabilities** | | **(16,421)** |
| **(827)** | **Net Assets** | | **(951)** |
| 5,543 | Usable Reserves | 21 | 8,130 |
| (6,370) | Unusable reserves | 22 | (9,081) |
| **(827)** | **Total Reserves** | | **(951)** |

# 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.

| 2014/15 £000 | | Notes | 2015/16 £000 |
|---|---|---|---|
| **(9,236)** | **Net surplus or (deficit) on the provision of services** | | **(263)** |
| 18,875 | Adjustments to net surplus or deficit on the provision of services for non cash movements | **29** | 2,746 |
| (2,050) | Adjustments for items included in the net surplus on the provision of services that are investing and financing activities | **29** | (2,052) |
| **7,589** | **Net cash flows from Operating Activities** | | **431** |
| (4,091) | Investing Activities | **30** | (1,599) |
| 0 | Financing Activities | **31** | (1,001) |
| **3,498** | **Net increase or decrease in cash and cash equivalents** | | **(2,169)** |
| 2,153 | Cash and cash equivalents at the beginning of the reporting period | **18** | 5,651 |
| **5,651** | **Cash and cash equivalents at the end of the reporting period** | **18** | **3,482** |

# Notes to the Accounts

## 1 Accounting Policies

### i) General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice 2015/16, 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.

### ii) Accruals of Income and Expenditure

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

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

### iii) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in one month or less from the date of the balance sheet and that are readily convertible to known amounts of cash with insignificant risk of change in value. The Council includes deposits in Business Reserve Accounts in cash equivalents.

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

### iv) Charges to Revenue for Non-Current Assets

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

- Depreciation attributable to the assets used by the relevant service

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

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

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

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

In addition the Council has decided to take an MRP holiday from revenue for 2015/16 and the following two financial years. During this period the annual MRP contribution will be funded from capital receipts.

**v) Employee Benefits**

Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly within twelve months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

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

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.

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

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

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

- The liabilities of the Somerset County Council pension fund attributable to West Somerset are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.5% (based on the annualised yield at the 19 year point on the Merill Lynch AA-rated corporate bond yield curve which has been chosen to meet the requirements of IAS 19 and with the consideration of the duration of the Employer's liabilities).
- The assets of the Somerset County Council pension fund attributable to West Somerset are included in the Balance Sheet at their fair value:
    - quoted securities - current bid price
    - unquoted securities - professional estimate
    - unitised securities - current bid price.
    - property – market value

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

Service cost comprising:

- **Current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- **Past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- **Net interest on the net defined benefit liability, i.e. net interest expense for the Council -** the change during the period in the defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

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.

**vi) Events after the Reporting Period**

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

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

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

**vii) 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 that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

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

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

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

Available-for-Sale Assets

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

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

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

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

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

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

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

Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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

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

### viii) 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.

### ix) Intangible Assets

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

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

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

### x) Investment Property

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £0.010m) the Capital Receipts Reserve.

### xi) Leases

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

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

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

<u>The Council as Lessee</u>

**Operating Leases**

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

<u>The Council as Lessor</u>

**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.

### xii) 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 2015/16 (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.

**xiii) Property, Plant and Equipment**

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. There are two exceptions to this:

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

<u>Impairment</u>
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.

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

Depreciation is calculated on the following bases:

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

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Account.

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

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

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

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

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

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

### xiv) 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.

**xv) 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.

**xvi) 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.

**xvii) 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.

**xviii) 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.

**xix) The Collection Fund**

The Code requires the inclusion of a Collection Fund Income and Expenditure Statement within the Statement of Accounts of every council tax billing authority; this council is such an authority. The Statement reflects the statutory requirement contained in Section 89 of the Local Government Finance

Act 1988 (as amended by the Local Government Finance Act 1992) for billing authorities to establish and maintain a separate fund for the collection and distribution of amounts due in respect of council tax and national non-domestic rates (NNDR).

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

**xx) Accounting for Council Tax**

Council tax income is accounted for within the Collection Fund Income and Expenditure 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 taken to the Collection Fund Adjustment Account.

**xxi) 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.

**xxii) Fair Value Measurement**

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

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

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

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

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

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

## 2 Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The Council has yet to adopt the following accounting standards which will be introduced in the 2016/17 Code.

- Amendments to IAS 19 *Employee Benefits* (Defined Benefit Plans: Employee Contributions).

- Annual Improvements to IFRSs 2010-2012 Cycle. The issues applicable to local authorities included in the Annual Improvements 2010-12 cycle are:
  - IFRS 3 *Business Combinations*: Accounting for contingent consideration in a business combination;
  - IFRS 8 *Operating Segments:* Aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets;
  - IFRS 13 *Fair Value Measurement:* Short-term receivables and payables;
  - IAS 16 *Property, Plant and Equipment:* Revaluation method - proportionate restatement of accumulated depreciation
  - IAS 24 *Related Party Disclosures;* Key management personnel;
  - IAS 38 *Intangible Assets:* Revaluation method – proportionate restatement of accumulated depreciation.

- Amendments to IFRS 11 *Joint Arrangements (*Accounting for Acquisitions of Interest in Joint Operations).

- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible assets* (Clarification of acceptable methods of depreciation and amortisation).

- Annual Improvements to IFRSs 2012-2014 Cycle – the only issue applicable to local authorities included in the Annual Improvements to IFRSs 2012-2014 cycle is IFRS 7 *Financial Instruments Disclosures*: Servicing contracts.

- Amendment to IAS 1 *Presentation of Financial Statements* (Disclosure Initiative).

- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis.

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

## 3 Critical 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 £1.868m (Council's share of this is £0.767m). The Council has put in its best estimate of the expenditure required to settle the present obligation based on the appeals put in by ratepayers.

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

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

| Item | Uncertainties | Effect If Actual Results Differ From Assumptions |
|---|---|---|
| Pensions Liability | Estimation of the net liability to pay pension depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. | As at 31 March 2016 the pension liability for West Somerset Council amounted to £15.560m. The effects on the net pension liability of many changes in individual assumptions can be measured. For example, if the discount rate were to change by plus or minus 0.1% then the projected service cost would change by £815k. Similarly a change of plus or minus 1 year in life expectancy assumptions would change the projected service cost by £1,834k. |
| Arrears | As at 31 March 2016, the Council had a balance of corporate debtors of £0.255m. A review of balances suggested that an impairment allowance of £0.117m 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 £0.117m to be set aside as an allowance. |
| Business Rates | Estimates has been made for the provision for refunding ratepayers who have successfully | There is uncertainty and risk surrounding the calculation of the |

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

## 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 £13.291m in 2015/16 compared with £13.284m in 2014/15. Housing Benefit subsidy amounted to (£13.173m) in 2015/16 compared with (£13.076m) in 2014/15.

## 6 Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the S151 officer on 27 June 2016. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing as at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2016. As they provide information that is relevant to an understanding of the Council's financial position but do not relate to conditions at that date.

Following a geophysical report commissioned by the Council it became apparent that significant works were required to the cliffs above Quay Street, Minehead to stabilise the cliff face. A programme of remedial works has been put in place to address this issue.

## 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.

| 2015/16 | General Fund Balance £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 |
|---|---|---|---|
| **Adjustments to the Revenue Resources** | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements | | | |
| Pension costs (transferred to or from the Pensions Reserve) | 207 | 0 | 0 |
| Council Tax and NNDR (transfers to or from the Collection Fund) | 573 | 0 | 0 |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) | 4,034 | 0 | 0 |
| **Total Adjustment to Revenue Resources** | **4,814** | **0** | **0** |
| **Adjustment between Revenue and Capital Resources** | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | (2,052) | 2,056 | 0 |
| Statutory provision for the repayment of debt (transfer from the capital adjustment account) | 0 | (143) | 0 |
| Capital expenditure financed from revenue balances | (52) | 0 | 0 |
| **Total Adjustments between Revenue and Capital Resources** | **(2,104)** | **1,913** | **0** |
| **Adjustments to Capital Resources** | | | |
| Use of the Capital Receipts reserve to finance capital expenditure | 0 | (578) | 0 |
| Application of capital grants to finance capital expenditure | (1,435) | 0 | 240 |
| **Total Adjustments to Capital Resources** | **(1,435)** | **(578)** | **240** |
| **Total Adjustments** | **1,275** | **1,335** | **240** |

| 2014/15 Comparative Year | General Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied |
|---|---|---|---|
| **Adjustments to the Revenue Resources** | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements | | | |
| Pension costs (transferred to or from the Pensions Reserve) | 7,129 | 0 | 0 |
| Council Tax and NNDR (transfers to or from the Collection Fund) | 2,442 | 0 | 0 |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) | 4,771 | 0 | 0 |
| **Total Adjustment to Revenue Resources** | **14,342** | **0** | **0** |
| **Adjustment between Revenue and Capital Resources** | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | (2,050) | 2,050 | 0 |
| Statutory provision for the repayment of debt (transfer from the capital adjustment account) | (200) | (1,800) | 0 |
| **Total Adjustments between Revenue and Capital Resources** | **(2,250)** | **250** | **0** |
| **Adjustments to Capital Resources** | | | |
| Use of the Capital Receipts reserve to finance capital expenditure | 0 | (141) | 0 |
| Application of capital grants to finance capital expenditure | (793) | 0 | 78 |
| **Total Adjustments to Capital Resources** | **(793)** | **(141)** | **78** |
| **Total Adjustments** | **11,299** | **109** | **78** |

## 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 2015/16.

| Earmarked Reserves | Balance as at 31/03/2014 £000 | Transfers Out £000 | Transfers In £000 | as at 31/03/2015 £000 | Transfers Out £000 | Transfers In £000 | Balance as at 31/03/2016 £000 |
|---|---|---|---|---|---|---|---|
| Business Rates Smoothing | **270** | 0 | 2,660 | **2,930** | (150) | 609 | **3,389** |
| Joint Management Project | **395** | (241) | 122 | **276** | (40) | 66 | **302** |
| Asset Maintenance & Compliance | **0** | 0 | 0 | **0** | 0 | 122 | **122** |
| Area Based Grant | **114** | (29) | 0 | **85** | (85) | 0 | **0** |
| Revenues and Benefits Reserve | **63** | (16) | 33 | **80** | (8) | 18 | **90** |
| Planning Policy Reserve | **0** | 0 | 62 | **62** | (41) | 0 | **21** |
| Sustainability Reserve | **58** | 0 | 0 | **58** | (40) | 50 | **68** |
| Hinkley Corporate Cost | **0** | 0 | 50 | **50** | (50) | 0 | **0** |
| Homelessness Prevention | **66** | (22) | 0 | **44** | 3 | 0 | **47** |
| Seaside Towns Reserve | **20** | (20) | 0 | **0** | 0 | 0 | **0** |
| New Homes Bonus Reserve | **114** | (114) | 0 | **0** | 0 | 0 | **0** |
| Other Earmarked Reserves | **276** | (164) | 204 | **316** | (165) | 180 | **331** |
| **Total** | **1,376** | **(606)** | **3,131** | **3,901** | **(576)** | **1,045** | **4,370** |

**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 £3.389m to fund deficit repayments in 2016/17 and 2017/18.

**Joint Management Project:** This reserve represents funds set aside to help fund the Council's share of the costs of implementing the Joint Management and Shared Services arrangements for West Somerset and Taunton Deane Borough Council. The current balance of £0.302m is needed to fund ICT and service transformation costs in the next 1-2 years.

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

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

**Homelessness Prevention:** Homelessness prevention grant received as part of Revenue Support Grant, therefore appropriate sum has been earmarked in 2015/16 along with the remainder of the Mortgage Rescue Grant.

## 9 Other Operating Expenditure

| 2014/15 £000 | | 2015/16 £000 |
|---|---|---|
| 899 | Parish Council precepts | 871 |
| 3 | Levies | 3 |
| 464 | (Gains)/Losses on the disposal of non current assets | (624) |
| **1,366** | **Total** | **250** |

## 10 Financing and Investment Income and Expenditure

| 2014/15 £000 | | 2015/16 £000 |
|---|---|---|
| 17 | Interest payable and similar charges | 6 |
| 658 | Net interest on the defined liability (asset) | 542 |
| (14) | Interest receivable and similar income | (24) |
| 36 | Income and Expenditure in relation to investment properties and changes in their fair value | (73) |
| (84) | Other investment income | (83) |
| **613** | **Total** | **368** |

## 11 Taxation and Non Specific Grant Income

| 2014/15 £000 | | 2015/16 £000 |
|---|---|---|
| (2,676) | Council tax income | (2,781) |
| (1,002) | Non domestic rates | (1,233) |
| (1,725) | Non-ringfenced government grants | (1,455) |
| (724) | Capital grants and contributions | (1,435) |
| **(6,127)** | **Total** | **(6,904)** |

## 12 Property, Plant and Equipment

| Movement in 2015/16 | Land and Buildings £000 | Vehicles, Plant and Equipment £000 | Infra-structure Assets £000 | Community Assets £000 | Non Operational Assets £000 | Total £000 |
|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | |
| **At 1 April 2015** | **10,033** | **3,085** | **6,938** | **85** | **523** | **20,664** |
| Additions | (3) | 177 | 14 | 0 | 0 | **188** |
| Revaluation increases / (decreases) recognised in the Revaluation reserve | (1,186) | 0 | 0 | 0 | 4 | **(1,182)** |
| Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services | (909) | 0 | (35) | 0 | | **(944)** |
| Derecognition - Disposals | 0 | 0 | 0 | (30) | 0 | **(30)** |
| **At 31 March 2016** | **7,935** | **3,262** | **6,917** | **55** | **527** | **18,696** |
| **Accumulated Depreciation and Impairment** | | | | | | |
| **At 1 April 2015** | **(219)** | **(2,952)** | **(3,741)** | **0** | **0** | **(6,912)** |
| Depreciation charge | (128) | (80) | (187) | 0 | 0 | **(395)** |
| Depreciation written out to the Revaluation Reserve | 92 | | | | | **92** |
| **At 31 March 2016** | **(255)** | **(3,032)** | **(3,928)** | **0** | **0** | **(7,215)** |
| **Net Book Value** | | | | | | |
| **As at 31 March 2016** | **7,680** | **230** | **2,989** | **55** | **527** | **11,481** |
| **As at 31 March 2015** | **9,815** | **133** | **3,197** | **85** | **523** | **13,753** |

| Comparative Movement 2014/15 | Land and Buildings £000 | Vehicles, Plant and Equipment £000 | Infra-structure Assets £000 | Community Assets £000 | Non Operational Assets £000 | Total £000 |
|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | |
| **At 1 April 2014** | **10,272** | **3,015** | **6,916** | **85** | **523** | **20,811** |
| 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)** |
| **At 31 March 2015** | **10,033** | **3,085** | **6,938** | **85** | **523** | **20,664** |
| **Accumulated Depreciation and Impairment** | | | | | | |
| **At 1 April 2014** | **(31)** | **(2,866)** | **(3,552)** | **0** | **0** | **(6,449)** |
| Depreciation charge | (188) | (86) | (189) | 0 | 0 | **(463)** |
| **At 31 March 2015** | **(219)** | **(2,952)** | **(3,741)** | **0** | **0** | **(6,912)** |
| **Net Book Value** | | | | | | |
| **As at 31 March 2015** | **9,815** | **133** | **3,197** | **85** | **523** | **13,753** |
| **As at 31 March 2014** | **10,241** | **149** | **3,364** | **85** | **523** | **14,362** |

## Depreciation

Depreciation is calculated on the following bases:

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

## Capital Commitments

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

## Revaluations

The Council carries out a programme that ensures that all Property, Plant and Equipment is measured at fair value with the latest revaluation exercise being carried out as at 1 April 2015. 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.

| | Land and Buildings £000 | Vehicles Plant and Equipment £000 | Infrastructure Assets £000 | Community Assets £000 | Non Operational Assets £000 | Total £000 |
|---|---|---|---|---|---|---|
| Valued at Historic Cost | 0 | 3,262 | 6,917 | 55 | 527 | **10,761** |
| Valued at: | | | | | | |
| 2015/16 | 2,765 | 0 | 0 | 0 | 0 | **2,765** |
| 2014/15 | 0 | 0 | 0 | 0 | 0 | **0** |
| 2013/14 | 5,056 | 0 | 0 | 0 | 0 | **5,056** |
| 2012/13 | 6 | 0 | 0 | 0 | 0 | **6** |
| 2011/12 | 0 | 0 | 0 | 0 | 0 | **0** |
| 2010/11 | 108 | 0 | 0 | 0 | 0 | **108** |
| **Total** | **7,935** | **3,262** | **6,917** | **55** | **527** | **18,696** |

## 13 Investment Properties

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

| 2014/15 £000 | | 2015/16 £000 |
|---|---|---|
| 92 | Rental income from investment property | 89 |
| **92** | **Net gain/(loss)** | **89** |

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

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

| Movement in fair value of investment properties<br>2014/15 £000 | | 2015/16 £000 |
|---|---|---|
| 3,075 | Balance at start of the year | 2,733 |
| | Additions: | |
| 44 | Purchases | 0 |
| (350) | Disposals | (1,110) |
| (36) | Net gains/losses from fair value adjustments | 73 |
| **2,733** | **Balance at end of the year** | **1,696** |

### Fair Value Measurement of Investment Property

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

| 2014/15 £000 | Significant Unobservable Inputs (Level 3) | 2015/16 £000 |
|---|---|---|
| 623 | Commercial Buildings | 642 |
| 2,110 | Commercial Land | 1,054 |
| **2,733** | **Investment Property** | **1,696** |

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

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

Highest and Best Use of Investment Properties

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

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

## 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 software licences only.

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

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

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

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

| | 2014/15 | | 2015/16 | |
|---|---|---|---|---|
| | Other Assets | Total | Other Assets | Total |
| | £000 | £000 | £000 | £000 |
| Balance at start of year: | | | | |
| Gross carrying amount | 63 | **63** | 63 | **63** |
| Accumulated amortisation | (12) | **(12)** | (25) | **(25)** |
| **Net carrying amount at start of year** | **51** | **51** | **38** | **38** |
| Additions: | | | | |
| Purchases | 0 | **0** | 75 | **75** |
| Amortisation for the period | (13) | **(13)** | (36) | **(36)** |
| **Net carrying amount at end of year** | **(38)** | **(38)** | **77** | **77** |
| Comprising: | | | | |
| Gross carrying amounts | 63 | **63** | 138 | **138** |
| Accumulated amortisation | (25) | **(25)** | (61) | **(61)** |
| | **38** | **38** | **77** | **77** |

## 15 Financial Instruments

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

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

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

- finance leases (detailed in note 39)
- trade payables for goods and services received

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

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

- cash and cash equivalents
- bank current account with National Westminster Bank
- loans to other local authorities
- trade receivables for goods and services delivered

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

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

### Categories of Financial Instruments

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

| | Long Term | | Current | |
|---|---|---|---|---|
| | 31 Mar 2015 £000 | 31 Mar 2016 £000 | 31 Mar 2015 £000 | 31 Mar 2016 £000 |
| **Investments** | | | | |
| Loans and receivables | 0 | 0 | 11,651 | 9,496 |
| Available-for-sale financial assets | | 2,997 | 0 | 0 |
| **Total investments** | **0** | **2,997** | **11,651** | **9,496** |
| | | | | |
| **Debtors** | | | | |
| Loans and receivables | 0 | 0 | 1,683 | 156 |
| **Total included in debtors** | **0** | **0** | **1,683** | **156** |
| | | | | |
| **Borrowings** | | | | |
| Financial liabilities at amortised cost | 0 | | 1,001 | 0 |
| **Total included in borrowings** | **0** | **0** | **1,001** | **0** |
| | | | | |
| **Creditors** | | | | |
| Financial liabilities at amortised cost | 0 | | 10,831 | 10,731 |
| **Total creditors** | **0** | **0** | **10,831** | **10,731** |

### Income Expense Gains and Losses

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

| Income, Expense, Gains and Losses | Liabilities measured at amortised cost | Loans and Receivables | Available-for-sale Assets | Total |
|---|---|---|---|---|
| 2015/16 | £000 | £000 | £000 | £000 |
| Interest Expense | 6 | 0 | 0 | 6 |
| **Interest payable and similar charges (note 10)** | **6** | **0** | **0** | **6** |
| Interest Income | 0 | (24) | 0 | (24) |
| **Interest receivable and similar (note 10)** | **0** | **(24)** | | **(24)** |
| Surplus on revaluation of available-for-sale financial assets | | | (12) | (12) |
| **Net gain/loss for the year** | **6** | **(24)** | **(12)** | **(30)** |

### Fair Values of Financial Assets

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

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

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices

- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments

- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

| Recurring Fair Value Measurements | Input Level In Fair Value Hierarchy | Valuation Technique Used to Measure Fair Value | 31 March 2015 '£000 | 31 March 2016 '£000 |
|---|---|---|---|---|
| Available for sale | | | | |
| Covered Bonds Issued by UK and Overseas Banks and Building | Level 1 | Unadjusted quoted prices in active markets for identical shares | 0 | 2,997 |
| Loans and Receivables | | | | |
| Fixed Term Deposits with English and Welsh Local Authorities | Level 2 | Market interest rates for instruments of similar credit quality | 0 | 6,014 |
| | | | **0** | **9,011** |

### Changes in the Valuation Technique

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

## 16 Assets Held for Sale

| | 2014/15 £000 | Current 2015/16 £000 |
|---|---|---|
| **Balance outstanding at start of the year** | **3,787** | **1,694** |
| Assets newly classified as held for sale: | | |
| - Property, Plant and Equipment | 0 | 339 |
| - Investment Property | 0 | 0 |
| Revaluation losses | (144) | (48) |
| Revaluation gains | 900 | 0 |
| Impairment losses | (856) | (84) |
| Assets declassified as held for sale: | | |
| Assets sold | (1,993) | (286) |
| **Balance outstanding at year end** | **1,694** | **1,615** |

## 17 Short Term Debtors

| 31 March 2015 £000 | | 31 March 2016 £000 |
|---|---|---|
| 1,657 | Central Government bodies | 3,095 |
| 74 | Other local authorities | 789 |
| 1,454 | Other entities and individuals | 1,544 |
| (469) | Impairment allowance for doubtful debts | (498) |
| **2,716** | **Total** | **4,930** |

## 18 Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

Included within the 'short-term deposits' figure in the table below is a balance of £3.157 (£3.360m as at 31 March 2015), which is being held by the Council on behalf of the Hinkley S106 agreement.

| 31 March 2015 £000 | | 31 March 2016 £000 |
|---|---|---|
| 98 | Cash held by the Council | 94 |
| 893 | Bank current accounts | 203 |
| 5,410 | Short-term deposits (call accounts) | 3,657 |
| (750) | Unpresented Cheques/BACS | (472) |
| **5,651** | **Total** | **3,482** |

## 19 Short Term Creditors

| 31 March 2015 £000 | | 31 March 2016 £000 |
|---|---|---|
| (964) | Central Government bodies | (4,973) |
| (869) | Other local authorities | (369) |
| (11,415) | Other entities and individuals | (10,715) |
| **(13,248)** | **Total** | **(16,057)** |

## Long Term Creditors

| 31 March 2015 £000 | | 31 March 2016 £000 |
|---|---|---|
| (376) | Capital Grants Receipts In Advance | (861) |
| **(376)** | **Total** | **(861)** |

## 20 Provisions

| | NNDR Appeals £000 | Land Charges £000 | Severance Costs £000 | Total £000 |
|---|---|---|---|---|
| **Balance as at 1 April 2014** | **(740)** | **0** | **(3)** | **(743)** |
| Additional provisions made in 2014/15 | (2,506) | 0 | 0 | **(2,506)** |
| Amounts used in 2014/15 | 68 | 0 | 0 | **68** |
| **Balance as at 1 April 2015** | **(3,178)** | **0** | **(3)** | **(3,181)** |
| Additional provisions made in 2015/16 | (460) | (25) | 0 | **(485)** |
| Amounts used in 2015/16 | 2,891 | 1 | 0 | **2,892** |
| Unused amounts reversed in 2015/16 | 0 | 0 | 3 | **3** |
| **Balance as at 31 March 2016** | **(747)** | **(24)** | **0** | **(771)** |

### Provision for NNDR Appeals

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

### Provision for Land Charges

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

## 21 Usable Reserves

| 31 March 2015 £000 | | 31 March 2016 £000 |
|---|---|---|
| 530 | General Fund Balance | 1,073 |
| 3,901 | Earmarked Reserves | 4,370 |
| 895 | Capital Receipts Reserve | 2,230 |
| 217 | Capital Grants Unapplied | 457 |
| **5,543** | **Total Usable Reserves** | **8,130** |

## 22 Unusable Reserves

| 31 March 2015 £000 | | Notes | 31 March 2016 £000 |
|---|---|---|---|
| 6,045 | Revaluation Reserve | **23** | 4,846 |
| 0 | Available-for-sale Financial Instruments Reserve | **24** | 12 |
| 6,538 | Capital Adjustment Account | **25** | 4,531 |
| (16,616) | Pensions Reserve | **26** | (15,560) |
| (2,337) | Collection Fund Adjustment Account | **27** | (2,910) |
| **(6,370)** | **Total Unusable Reserves** | | **(9,081)** |

## 23 Revaluation Reserve

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

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through deprecation, or
- disposed of and the gains are realised

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

| 2014/15 £000 | | | 2015/16 £000 |
|---:|---|---:|---:|
| **6,710** | **Balance as at 1 April** | | **6,045** |
| 1,224 | Upward revaluation of assets | 150 | |
| (365) | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | (1,286) | |
| 859 | Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services | | (1,136) |
| (63) | Difference between fair value depreciation and historical cost | (63) | |
| (1,461) | Accumulated gains on assets sold or scrapped | 0 | |
| (1,524) | Amount written off to the Capital Adjustment Account | | (63) |
| **6,045** | **Balance as at 31 March** | | **4,846** |

## 24 Available for Sale Financial Instruments Reserve

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

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised

| 2014/15 £000 | | 2015/16 £000 |
|---:|---|---:|
| **0** | **Balance as at 1 April** | **0** |
| 0 | Upward revaluation of investments | 14 |
| 0 | Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services | (2) |
| **0** | **Balance as at 31 March** | **12** |

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

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

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

| 2014/15 £000 | | 2015/16 £000 | |
|---|---|---|---|
| **6,929** | **Balance as at 1 April** | | **6,538** |
| | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement | | |
| (1,512) | Charges for Depreciation and impairment of non current assets | (1,424) | |
| 0 | Revaluation losses on Property, Plant and Equipment | 0 | |
| (13) | Amortisation of intangible assets | (36) | |
| (696) | Revenue expenditure funded from capital under statute | (1,220) | |
| (2,514) | 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 | (1,428) | |
| **(4,735)** | | | **(4,108)** |
| 1,524 | Adjusting amounts written out of the Revaluation Reserve | | 63 |
| **(3,211)** | **Net written out amount of the cost of non current assets consumed in the year** | | **(4,045)** |
| | Capital financing applied in the year: | | |
| 1,941 | Use of the Capital Receipts Reserve to finance new capital | 577 | |
| 708 | Capital grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital | 1,184 | |
| 0 | Direct Revenue Financing | 52 | |
| 7 | Capital Grant Applied | 9 | |
| 200 | Statutory provision for the financing of capital investment charged against the General Fund balances | 143 | |
| **2,856** | Capital expenditure charged against the General Fund | | **1,965** |
| (36) | Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Account | | 73 |
| **6,538** | **Balance as at 31 March** | | **4,531** |

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

| 2014/15 £000 | | 2015/16 £000 |
|---|---|---|
| (17,136) | **Balance as at 1 April** | (16,616) |
| 7,723 | Remeasurement of the net defined benefit liability/(assets) | 1,263 |
| (7,854) | 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 | (551) |
| 651 | Employer's pension contributions and direct payments to pensioners payable in the year | 344 |
| **(16,616)** | **Balance as at 31 March** | **(15,560)** |

## 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.

| 2014/15 £000 | | 2015/16 £000 |
|---|---|---|
| **105** | **Balance as at 1 April** | **(2,337)** |
| (2,442) | Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements | (573) |
| **(2,337)** | **Balance as at 31 March** | **(2,910)** |

## 28 Accumulated Absences Account

The Accumulated Absences 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.

| 2014/15 £000 | | 2015/16 £000 |
|---|---|---|
| **(74)** | **Balance as at 1st April** | **0** |
| 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. | 0 |
| **0** | **Balance as at 31st March** | **0** |

During 2014/15 all staff originally employed by West Somerset Council were transferred to be employed by Taunton Deane Borough Council. Therefore the accumulated absences account is no longer applicable to West Somerset Council as at 31 March 2016.

## 29 Cash Flow – Operating Activities

The cash flows for operating activities include the following items:

| 2014/15 £000 | | 2015/16 £000 |
|---|---|---|
| (14) | Interest Received | (24) |
| 17 | Interest Paid | 6 |
| **3** | | **(18)** |

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

| 2014/15 £000 | | 2015/16 £000 |
|---|---|---|
| 463 | Depreciation | 395 |
| 13 | Amortisation | 36 |
| 1,049 | Impairment and downward valuations | 1,027 |
| 36 | Revaluation of Investment Properties | (73) |
| 5,401 | (Decrease)/Increase in creditors | 3,860 |
| (352) | (Increase)/Decrease in debtors | (2,211) |
| 2,514 | Carrying Value of Non Current Assets Disposed | 1,426 |
| 7,854 | Movement in Pension Liability | 551 |
| (651) | Pension Payable for year | (344) |
| 2,438 | (Decrease)/Increase in Provisions | (2,410) |
| 109 | (Decrease)/Increase in Capital RIA | 485 |
| 1 | Other Movements | 4 |
| **18,875** | | **2,746** |

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

| 2014/15 £000 | | 2015/16 £000 |
|---|---|---|
| (2,050) | Proceeds from the sale of property plant and equipment, investment property and intangible assets | (2,052) |
| **(2,050)** | | **(2,052)** |

## 30 Cash Flow Statement – Investing Activities

The cash flow for investing activities includes the following items:

| 2014/15 £000 | | 2015/16 £000 |
|---|---|---|
| (141) | Purchase of Property, Plant and Equipment, Investment Property and intangible assets | (652) |
| (6,000) | Purchase of Short Term & Long Term Investments | (2,999) |
| 2,050 | Proceeds from the sale of property, plant and equipment | 2,052 |
| **(4,091)** | **Net cash flows from investing activities** | **(1,599)** |

## 31 Cash Flow Statement – Financing Activities

| 2014/15 £000 | | 2015/16 £000 |
|---|---|---|
| 0 | Repayment of Short Term Borrowing | (1,001) |
| **0** | **Net cash flows from financing activities** | **(1,001)** |

## 32 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 Service Reporting 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 principal services recorded in the budget reports for the year is as follows:

| Income and Expenditure 2015/16 | Assistant Chief Executive £000 | Corporate Services £000 | Resources £000 | Operational Delivery £000 | Housing and Community £000 | Property and Development £000 | Planning £000 | Business Development £000 | Nuclear Programme £000 | Total £000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Fees, charges and other service income | (245) | (1,413) | (646) | (1,125) | (229) | (325) | (238) | (224) | (1,394) | **(5,839)** |
| Interest and investment income | 0 | 0 | (24) | 0 | 0 | 0 | 0 | 0 | 0 | **(24)** |
| Government grants | (11) | 0 | (13,396) | 0 | 0 | 0 | 0 | 0 | 0 | **(13,407)** |
| **Total Income** | **(256)** | **(1,413)** | **(14,066)** | **(1,125)** | **(229)** | **(325)** | **(238)** | **(224)** | **(1,394)** | **(19,270)** |
| Employee expenses | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Other service expenses | 750 | 1,817 | 14,250 | 3,286 | 627 | 550 | 575 | 441 | 1,273 | **23,569** |
| Interest payments | 0 | 0 | 6 | 0 | 0 | 0 | 0 | 0 | 0 | **6** |
| **Total Expenditure** | **750** | **1,817** | **14,256** | **3,286** | **627** | **550** | **575** | **441** | **1,273** | **23,575** |
| **Net Expenditure** | **494** | **404** | **190** | **2,161** | **398** | **225** | **337** | **217** | **(121)** | **4,305** |

| Income and Expenditure 2014/15 | Assistant Chief Executive £000 | Corporate Services £000 | Resources £000 | Operational Delivery £000 | Housing and Community £000 | Property and Development £000 | Planning £000 | Business Development £000 | Nuclear Programme £000 | Total £000 |
|---|---|---|---|---|---|---|---|---|---|---|
| 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)** |
| **Total Income** | **(27)** | **(375)** | **(14,155)** | **(853)** | **(40)** | **(261)** | **(313)** | **(156)** | **(766)** | **(16,946)** |
| Employee expenses | 50 | 758 | 267 | 395 | 166 | 49 | 56 | 46 | 185 | **1,972** |
| Other service | 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** |
| **Total Expenditure** | **272** | **2,056** | **14,698** | **2,744** | **446** | **250** | **448** | **209** | **700** | **21,823** |
| **Net Expenditure** | **245** | **1,681** | **543** | **1,891** | **406** | **(11)** | **135** | **53** | **(66)** | **4,877** |

**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

| 2014/15 £000 | | 2015/16 £000 |
|---|---|---|
| 4,877 | Net expenditure in the analysis | 4,305 |
| 8,507 | Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis | 2,244 |
| **13,384** | **Cost of Services in Comprehensive Income and Expenditure Statement** | **6,549** |

**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.

| 2015/16 | Analysis £000 | Amounts not reported to management for decision making £000 | Amount not included in the CIES £000 | Allocation of Recharges £000 | Net Expenditure £000 | Corporate Amounts £000 | Cost of services £000 |
|---|---|---|---|---|---|---|---|
| Fees, charges and other service income | (5,839) | (367) | 410 | 0 | (5,796) | (1,435) | (7,231) |
| Interest and investment income | (24) | 0 | 24 | 0 | 0 | (107) | (107) |
| Income from council tax | 0 | 0 | 0 | 0 | 0 | (2,781) | (2,781) |
| Government grants | (13,407) | 0 | 0 | 0 | (13,407) | (2,688) | (16,095) |
| **Total Income** | **(19,270)** | **(367)** | **434** | **0** | **(19,203)** | **(7,011)** | **(26,214)** |
| Employee expenses | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other service expenses | 23,569 | 864 | (57) | 0 | 24,376 | 545 | 24,921 |
| Support Service recharges | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation, amortisation and impairment | 0 | 1,376 | 0 | 0 | 1,376 | (73) | 1,303 |
| Interest Payments | 6 | 0 | (6) | 0 | 0 | 6 | 6 |
| Precepts and Levies | 0 | 0 | 0 | 0 | 0 | 871 | 871 |
| Gain or Loss on Disposal of Fixed Assets | 0 | 0 | 0 | 0 | 0 | (624) | (624) |
| **Total Expenditure** | **23,575** | **2,240** | **(63)** | **0** | **25,752** | **725** | **26,477** |
| **(Surplus) or Deficit on the Provision of Services** | **4,305** | **1,873** | **371** | **0** | **6,549** | **(6,286)** | **263** |

| 2014/15 | Analysis £000 | Amounts not reported to management for decision making £000 | Amount not included in the CIES £000 | Allocation of Recharges £000 | Net Expenditute £000 | Corporate Amounts £000 | Cost of services £000 |
|---|---|---|---|---|---|---|---|
| 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) |
| **Total Income** | **(16,946)** | **(626)** | **672** | **(3,318)** | **(20,218)** | **(6,225)** | **(26,443)** |
| 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 |
| **Total Expenditure** | **21,823** | **8,676** | **(215)** | **3,318** | **33,602** | **2,077** | **35,679** |
| **(Surplus) or Deficit on the Provision of Services** | **4,877** | **8,050** | **457** | **0** | **13,384** | **(4,148)** | **9,236** |

## 33 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 councils. With the exception of specific senior employees (details of whom are set out the tables below) the split of remuneration was 20:80 to West Somerset: Taunton Deane Borough Council. The remuneration paid to the Council's senior employees is as follows:

The table below is an extract from the accounts of Taunton Deane Borough Council and represent the full cost of remuneration for the year 2015/16. All staff are employees of Taunton Deane Borough Council and are included for information purposes only.

1. The Chief Executive opted out of the pension scheme from 2012/13 to 2014/15.
2. Assistant Director G was appointed on 1 April 2014 and Assistant Director H was appointed on 6 May 2014, Assistant Director H left on 10 July 2015.
3. The above posts were shared with Taunton Deane Borough Council throughout the two years 2014/15 and 2015/16.
4. The split of remuneration for Director D is 10:90, West Somerset Council: Taunton Deane Borough Council
5. The split of remuneration for the Chief Executive, the Assistant Chief Executive and Monitoring Officer and Assistant Director F is 50:50 West Somerset Council: Taunton Deane Borough Council
6. All other posts are split 20:80 West Somerset Council: Taunton Deane Borough Council

| Post holder information (Post Title) | | Salary, Fees and Allowances £ | Expenses Allowances £ | Compensation for Loss of Office £ | Total Remuneration excluding pension contributions £ | Pension Contributions £ | Total Remuneration £ | Annualised Salary £ |
|---|---|---|---|---|---|---|---|---|
| Chief Executive[1] | **2015/16** | 110,000 | 1,279 | 0 | **111,279** | 20,240 | **131,519** | 110,000 |
| | 2014/15 | 120,000 | 1,459 | 0 | 121,459 | 0 | 121,459 | 120,000 |
| Director for Operations & Deputy Chief Executive | **2015/16** | 86,700 | 1,247 | 0 | **87,947** | 11,704 | **99,651** | 86,700 |
| | 2014/15 | 85,425 | 1,581 | 0 | 87,006 | 11,532 | 98,538 | 85,425 |
| Director for Growth & Development | **2015/16** | 81,600 | 1,274 | 0 | **82,874** | 11,016 | **93,890** | 81,600 |
| | 2014/15 | 80,400 | 1,354 | 0 | 81,754 | 10,854 | 92,608 | 80,400 |
| Director for Housing & Communities | **2015/16** | 81,600 | 0 | 0 | **81,600** | 11,016 | **92,616** | 81,600 |
| | 2014/15 | 80,400 | 0 | 0 | 80,400 | 10,854 | 91,254 | 80,400 |
| Assistant Chief Executive & Monitoring Officer | **2015/16** | 64,770 | 0 | 0 | **64,770** | 8,744 | **73,514** | 64,770 |
| | 2014/15 | 63,818 | 6 | 0 | 63,824 | 8,615 | 72,439 | 63,818 |
| Assistant Director - Housing & Community Development | **2015/16** | 61,200 | 0 | 0 | **61,200** | 8,262 | **69,462** | 61,200 |
| | 2014/15 | 60,300 | 12 | 0 | 60,312 | 8,141 | 68,453 | 60,300 |
| Assistant Director - Planning & Environment | **2015/16** | 61,200 | 1,354 | 0 | **62,554** | 8,262 | **70,816** | 61,200 |
| | 2014/15 | 60,300 | 1,659 | 0 | 61,959 | 8,141 | 70,100 | 60,300 |
| Assistant Director - Corporate Services | **2015/16** | 61,200 | 1,188 | 0 | **62,388** | 8,262 | **70,650** | 61,200 |
| | 2014/15 | 60,300 | 947 | 0 | 61,247 | 8,141 | 69,388 | 60,300 |
| Assistant Director - Operational Delivery | **2015/16** | 61,341 | 0 | 0 | **61,341** | 8,281 | **69,622** | 61,200 |
| | 2014/15 | 60,441 | 900 | 0 | 61,341 | 8,296 | 69,637 | 60,441 |
| Assistant Director - Business Development | **2015/16** | 61,200 | 0 | 0 | **61,200** | 8,262 | **69,462** | 61,200 |
| | 2014/15 | 60,300 | 0 | 0 | 60,300 | 8,141 | 68,441 | 60,300 |
| Assistant Director - Resources | **2015/16** | 61,200 | 0 | 0 | **61,200** | 8,262 | **69,462** | 61,200 |
| | 2014/15 | 60,300 | 259 | 0 | 60,559 | 8,141 | 68,700 | 60,300 |
| Assistant Director - Energy & Infrastructure[2] | **2015/16** | 61,200 | 0 | 0 | **61,200** | 8,262 | **69,462** | 61,200 |
| | 2014/15 | 46,741 | 798 | 0 | 47,539 | 6,310 | 53,849 | 46,741 |
| Assistant Director - Property & Development[2] | **2015/16** | 20,476 | 0 | 45,900 | **66,376** | 2,288 | **68,664** | 61,200 |
| | 2014/15 | 54,494 | 4,734 | 0 | 59,228 | 7,357 | 66,585 | 60,300 |

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

| Remuneration Band | 2014/15 Number of employees Total | 2015/16 Number of employees Total |
|---|---|---|
| £50,000 - £54,999 | 1 | 4 |
| £55,000 - £59,999 | 4 | 0 |
| £60,000 - £64,999 | 2 | 2 |
| £65,000 - £69,999 | 3 | 0 |
| £70,000 - £74,999 | 1 | 0 |
| £75,000 - £79,999 | 3 | 0 |
| £105,000 - £109,999 | 1 | 0 |

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

| Exit Package Cost Band (including special payments) | Number Of Other Departures Agreed | | Number Of Compulsory Redundancies | | Total Number Of Exit Packages By Cost Band | | Total Cost Of Exit Packages In Each Band (£) | |
|---|---|---|---|---|---|---|---|---|
| | 2014/15 | 2015/16 | 2014/15 | 2015/16 | 2014/15 | 2015/16 | 2014/15 | 2015/16 |
| £0 - £20,000 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 32,830 |
| £20,001 - £40,000 | 0 | 1 | 9 | 0 | 9 | 1 | 308,870 | 45,900 |
| £40,001 - £60,000 | 0 | 0 | 6 | 0 | 6 | 0 | 312,780 | 0 |
| £60,001 - £80,000 | 0 | 0 | 5 | 0 | 5 | 0 | 319,060 | 0 |
| £80,001 - £100,000 | 0 | 0 | 3 | 0 | 3 | 0 | 338,860 | 0 |
| **Total included in the CIES** | **0** | **1** | **23** | **1** | **23** | **2** | **1,279,570** | **78,730** |

## 34 Members Allowances

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

| 2014/15 £000 | | 2015/16 £000 |
|---|---|---|
| 77 | Basic Allowance | 74 |
| 64 | Special Responsibility Allowance | 61 |
| 12 | Expenses | 12 |
| **153** | **Allowances paid in the year** | **147** |

## 35 External Audit Costs

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

| 2014/15 £000 | | 2015/16 £000 |
|---|---|---|
| 56 | Fees payable to external auditors with regards to external audit services carried out by the appointed auditor for the year | 43 |
| 12 | Fees paid to external auditors for the certification of grant claims and returns for the year | 7 |
| **68** | **Total** | **50** |

## 36 Grant Income

| Contributions and donations to the Comprehensive Income and Expenditure Statement | 2014/15 £000 | 2015/16 £000 |
|---|---|---|
| **Credited to Taxation and Non Specific Grant Income** | | |
| Revenue Support Grant | (1,225) | (880) |
| EDF - Hinkley C S106 Contribution - Capital Grant | (348) | (874) |
| New Homes Bonus | (447) | (575) |
| Section 31 - NNDR | (353) | (423) |
| Disabled Facilities Grant | (184) | (241) |
| Section 106 Agreement | (193) | (227) |
| Steam Coast Trial | 0 | (54) |
| Cuckoo Meadow | 0 | (38) |
| Rural LA Transitional Funding | (5) | 0 |
| Community Right to Challenge | (9) | 0 |
| Asset of Community Value | (8) | 0 |
| Council Tax Freeze Grant | (21) | 0 |
| Business Rates New Burden Grant | (10) | 0 |
| **Total** | **(2,803)** | **(3,312)** |
| **Credited to Services** | | |
| DWP - Housing Benefit Subsidy | (13,076) | (13,173) |
| EDF - Hinkley C S106 Contribution | (863) | (1,458) |
| DSS - Benefit Administration Grant | (248) | (174) |
| Coast Communities Team | 0 | (114) |
| DHP Grant | (59) | (109) |
| NNDR Cost of Collection Grant | (75) | (75) |
| Steam Coast Trail | 0 | (46) |
| DCLG Benefit Admin Grant | (60) | (44) |
| Rent Rebate Grant | (39) | (38) |
| DCLG Land Charge Grant | 0 | (32) |
| DWP - Universal Credit | 0 | (25) |
| Wellbeing Project | 0 | (20) |
| COOL Tourism Project | (31) | (19) |
| Cuckoo Meadow | 0 | (18) |
| National Grid PPA | (24) | (16) |
| Individual Electoral Registration | (26) | (11) |
| Groundwork Grant | 0 | (10) |
| DCLG - Transparency Code Set Up | (6) | (8) |
| Town & Parish Council Elections | 0 | (7) |
| CCTV Grant | (59) | (5) |
| DEFRA - Repair & Renewal Grant | (43) | (1) |
| Other Grants and Contributions | (38) | (21) |
| **Total** | **(14,647)** | **(15,424)** |

## 37 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**

Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of it's funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills and housing benefits).

**Members**

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

There are no material related party transactions with members to disclose for 2015/16.

**Officers**

Officers are required to observe the Code of Conduct for Officers and register the receipt of any gifts/hospitality. The Council had no material related party transactions with officers during 2015/16.

During 2015/16 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 2015/16 other than precept payments amounted to £0.036m.

Related party transactions with the precepting bodies are disclosed on page 73 within the Collection Fund Statement and with the pension fund which is on pages 66-70, 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 2015/16 are as follows:

| 2014/15 £000 | | 2015/16 £000 |
|---|---|---|
| (964) | Amounts due to Central Government | (4,973) |
| (869) | Amounts due to other Local Authorities | (369) |
| 1,657 | Amounts due from Central Government | 3,095 |
| 74 | Amounts due from other Local Authorities | 789 |
| **(102)** | | **(1,458)** |

## 38 Capital Expenditure and Capital Financing

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

| 2014/15 £000 | | 2015/16 £000 |
|---|---|---|
| **7,633** | **Opening Capital Financing Requirement** | **5,633** |
| | Capital Investment | |
| 116 | Property, Plant and Equipment | 188 |
| 44 | Investment Properties | 0 |
| 0 | Intangible Assets | 77 |
| 0 | Assets Held for Sale | 339 |
| 696 | Revenue Expenditure Funded from Capital under Statute | 1,219 |
| | Sources of finance | |
| (141) | Capital receipts | (577) |
| 0 | Minimum Revenue Provision Set Aside from Capital Receipts | (143) |
| (715) | Government grants and other contributions | (1,194) |
| | Sums set aside from revenue | |
| | Direct revenue contributions | (52) |
| (2,000) | MRP | 0 |
| **5,633** | **Closing Capital Financing Requirement** | **5,490** |
| | Explanation of movements in year | |
| (2,000) | Increase / (Decrease) in underlying need to borrowing (unsupported by Government financial assistance) | (143) |
| **(2,000)** | **Increase/(decrease) in Capital Financing Requirement** | **(143)** |

## 39 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 2015 £000 | 31 March 2016 £000 |
|---|---|---|
| Land and Buildings | 39 | 33 |
| **Total** | **39** | **33** |

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

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:

| | 2014/15 £000 | 2015/16 £000 |
|---|---|---|
| Not later than one year | 75 | 75 |
| Later than one year and not later than five years | 203 | 153 |
| Later than five years | 86 | 62 |
| Total | **364** | **290** |

The expenditure charged to the Comprehensive Income and Expenditure Statement during 2015/16 in relation to these leases was £0.084m.

**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:

| | 2014/15 £000 | 2015/16 £000 |
|---|---|---|
| Not later than one year | 93 | 101 |
| Later than one year and not later than five years | 365 | 369 |
| Later than five years | 2,362 | 2,279 |
| Total | **2,820** | **2,749** |

## 40 Impairment Losses

During 2015/16 the Council recognised an impairment loss of £0.034m in relation to the cliffs over-looking Quay Street, Minehead due to significant remedial works required to render the site safe. (Note 6 provides further detail.)

## 41 Termination Benefits

The Council terminated the contracts of two employees in 2015/16, incurring liabilities of £0.079m (£1,280 in 2014/15) see note 33 for the number of exit packages and total cost per band. These officers were made redundant as part of the Council's rationalisation of services.

## 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 (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, administered locally by Peninsula Pensions on behalf of the Somerset Pension Fund. This is a funded defined benefit final salary scheme, meaning that the Council and 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 Post-employment Benefits
The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

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

| Transactions Relating to Post Employment Benefits | 2014/15 £000 | 2015/16 £000 |
|---|---|---|
| Comprehensive Income and Expenditure Statement | | |
| Cost of Services | | |
| - Service costs | (2,551) | 0 |
| - Administration expenses | 8 | 9 |
| Financing and Investment Income and Expenditure: | | |
| - Net interest on the defined liability | 658 | 542 |
| **Total Post Employment Benefits charged to the Provision of Services** | **(1,885)** | **551** |
| Remeasurement of the net defined liability comprising: | | |
| - Return on assets (excluding the amount included in the net interest expense) | 906 | (281) |
| - Change in financial assumptions | (3,208) | 1,646 |
| - Experience (gain) / loss on defined benefit obligation | 243 | (102) |
| - Liabilities assumed / (extinguished) on settlements | 9,782 | 0 |
| **Total Post Employment Benefit Charged to the Income and Expenditure Statement** | **7,723** | **1,263** |
| **Movement in Reserves Statement** | | |
| - Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code | (7,854) | (551) |
| Actual amount charged against the General Fund balance for pensions in the year: | | |
| - Employers contributions payable to scheme | 651 | 344 |
| - Retirement benefits payable to pensioners | | |

Pension Assets and Liabilities recognised in the Balance Sheet

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

| Pensions Assets and Liabilities Recognised in the Balance Sheet | 2014/15 £000 | 2015/16 £000 |
|---|---|---|
| Present value of the defined benefit obligation | (27,722) | (25,715) |
| Fair value of plan assets (bid value) | 12,612 | 11,656 |
| Deficit/(Surplus) | (15,110) | (14,059) |
| Present value of unfunded obligation | (1,506) | (1,501) |
| **Net liability arising from defined benefit obligation** | **(16,616)** | **(15,560)** |

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

| Reconciliation of Fair Value of the Scheme Assets | 2014/15 £000 | 2015/16 £000 |
|---|---|---|
| **Opening balance as at 1st April** | **18,447** | **12,612** |
| Interest on assets | 596 | 399 |
| Return on assets less interest | 906 | (281) |
| Other actuarial gains/(losses) | 43 | 0 |
| Administration expenses | (8) | (9) |
| Contributions by employer including unfunded | 651 | 344 |
| Contributions by scheme participants | 90 | 0 |
| Estimated benefits paid plus unfunded net of transfers in | (1,599) | (1,409) |
| Settlement prices received/(paid) | (6,514) | 0 |
| **Closing balance as at 31st March** | **12,612** | **11,656** |

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

| Reconciliation of present value of the scheme liabilities | Funded liabilities: Local Government Pension Scheme | |
|---|---|---|
| | 2014/15 £000 | 2015/16 £000 |
| **Opening balances as at 1 April** | **(35,583)** | **(29,228)** |
| Current service cost | (388) | 0 |
| Interest cost | (1,254) | (941) |
| Change in financial assumptions | (3,208) | 1,646 |
| Experience loss / (gain) on defined benefit obligation | 243 | (102) |
| Settlements | 9,739 | 0 |
| Estimated benefits paid net of transfers in | 1,506 | 1,325 |
| Past service costs, including curtailments | (286) | 0 |
| Contributions by scheme participants | (90) | 0 |
| Unfunded Pension Payments | 93 | 84 |
| **Closing balance as at 31 March** | **(29,228)** | **(27,216)** |

Local Government Pension Scheme assets comprised:

| LG Pension Scheme Assets | 2014/15 | 2015/16 |
|---|---|---|
| Equities | 70% | 68% |
| Gilts | 7% | 8% |
| Other bonds | 10% | 11% |
| Property | 9% | 11% |
| Cash | 4% | 2% |
| **Total** | **100%** | **100%** |

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels etc.

The Peninsula Pensions administered pension fund liabilities have been estimated by Barnett Waddingham, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2013.

The significant assumptions used by the actuary have been:

| Basis for Estimating Assets and Liabilities | 2014/15 | 2015/16 |
|---|---|---|
| Long-term expected rates of return on assets in the scheme: | 13.0% | 0.0% |
| Mortality assumptions: | | |
| Longevity at 65 for current pensioners | | |
| - Men | 23.7 | 23.8 |
| - Women | 26.1 | 26.2 |
| Longevity at 65 for future pensioners | | |
| - Men | 26.0 | 26.1 |
| - Women | 28.4 | 28.5 |
| Rate of inflation - RPI | 3.2% | 3.0% |
| Rate of inflation - CPI | 2.4% | 2.1% |
| Rate of increase in salaries | 4.2% | 3.9% |
| Rate of increase in pensions | 2.4% | 2.1% |
| Rate for discounting scheme liabilities | 3.3% | 3.4% |
| Take up option to convert annual pension into retirement lump sum | 10.0% | 10.0% |

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

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Peninsula Pensions have agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 15 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The scheme will need to take account of national changes in the scheme under the Public Pensions Services Act 2013. Under the Act the Local Government Pension Scheme in England and Wales may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council expects to pay £0.310m in contributions to the scheme in 2016/17.

| Sensitivity Analysis | £000 | £000 | £000 |
|---|---|---|---|
| **Adjustment to discount rate** | **+0.1%** | **0.0%** | **-0.1%** |
| Present value of total obligation | 26,812 | 27,216 | 27,627 |
| Projected service cost | | | |
| **Adjustment to long term salary increase** | **+0.1%** | **0.0%** | **-0.1%** |
| Present value of total obligation | 27,220 | 27,216 | 27,212 |
| Projected service cost | | | |
| **Adjustment to pension increases and deferred revaluation** | **+0.1%** | **0.0%** | **-0.1%** |
| Present value of total obligation | 27,628 | 27,216 | 26,810 |
| Projected service cost | | | |
| **Adjustment to mortality age rating assumption** | **+1 Year** | **None** | **-1 Year** |
| Present value of total obligation | 28,149 | 27,216 | 26,315 |
| Projected service cost | | | |

## 43 Contingent Liabilities

As at 31 March 2016 the Council had the following contingent liabilities:

**Business Rates Retention** – The total provision for current and backdated appeals stands at £1.868m (£7.946m 2014/15) of this the Council share is £0.747m (£3.178m 2014/15). There could be future appeals in respect of rates billed to date but there is no reasonable basis of estimating what this total could be.

**Clanville Housing -** The Council continues to maintain its adopted Low Cost Home Ownership Scheme in respect of Clanville Grange in Minehead. During 2015/16 the Council purchased two properties, 20 and 43 Clanville Grange for which it paid £0.206m. In January 2014 the Council adopted a revised Affordable Home Ownership Policy such that in future it will continue to be required to re-purchase (at a discounted price) when owners wish to sell the properties but when they are sold on, they will be sold with a 25% discount and with a restrictive Covenant rather than a Deed of Pre-emption. This means that there will be no ongoing liability to the Council. During 2015/16 the Council sold three properties in this way 7, 15 and 20 Clanville Grange for £0.298m after costs. As at 31 March 2016 the Council still owned number 43 Clanville Grange; it is sold subject to contract with an anticipated completion date early in 2016/17. Once sold this leaves six of the original eleven properties for which the Council has an on-going liability.

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

**Planning Fee Applications Guarantee -** From 1 October 2013 any planning application which has taken longer than six months to determine, without an extension of time being in place, can be subject to the applicant requesting a fee refund. It is not possible to establish a reliable estimate for this liability as it is dependent on the planning applicant making a claim for a refund and there is no cut-off date of when a claim can be made.

**South West Audit Partnership Limited -** In March 2013, new governance arrangements were approved with the formation of a new company limited by guarantee to replace the previous Joint Committee. At its Full Council meeting on 27 February 2013, West Somerset District Council elected to become a Member of the Company – South West Audit Partnership Ltd – with effect from 1 April 2013.

**Tribunal Claim** – The Council has received a claim for unfair dismissal resulting from the creation of a shared services arrangement. Due to the on-going nature of the claim the Council has decided to recognise a contingent liability in respect of this claim.

### 44 Contingent Assets

**Hinkley Point C** - There are two s106 agreements in place, one in relation to the site preparation works order and the other in relation to the development consent order. Thus far, all contributions have been paid on time and in full. A total of £2.6 million from both agreements was due to be paid in May 2016 and this has been received.

The income due to West Somerset is largely triggered by 'transition' or anniversaries of 'transition'. The transition from the site preparation work order to the development consent order took place in June 2016. However in March 2016 the payments were contingent on transition taking place and applications being made to EDF to draw down ring fenced amounts.

The Council will receive a minimum of £4.4m (maximum £5.651m) in total from the s106 relating to the development consent order. The payments are due over a number of years with the last one due in 2023.

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

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

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

The 2015/16 Treasury Management Strategy which incorporated the prudential indicators was approved by Council on 18 March 2015 and is available on the Council website. The key issues within the 2015/16 strategy were:

- The Authorised Limit for 2015/16 was set at £10.000m. This is the maximum limit of external borrowings or other long-term liabilities.
- The Operational Boundary was expected to be £7.700m. This is the expected level of debt and other long-term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and fully based on the Council's net debt.

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

**Credit risk**

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

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

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

| Aged Debt Analysis | 31 March 2015 | 31 March 2016 |
|---|---|---|
| Less than three months | 80,406 | 179,253 |
| Three to six months | 30,385 | 30,082 |
| Six months to one year | 60,471 | 81,463 |
| More than one year | 586,433 | 550,207 |
| **Total** | **757,695** | **841,005** |

At the beginning of 2015/16 the provision for impairment of sundry debts (excluding council tax and business rates) stood at £0.397m. The Council has now made a provision for impairment of sundry debts of £0.404m in the 2015/16 accounts, which is an overall increase of £0.007m. The revised level of provision has been reviewed in light of the current economic conditions.

**Liquidity risk**

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

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

**Market risk**

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

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

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

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

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

# Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to Local Authorities and the Government of council tax and non-domestic rates.

| 2014/15 Business Rates £000 | 2014/15 Council Tax £000 | 2014/15 Total £000 | | 2015/16 Business Rates £000 | 2015/16 Council Tax £000 | 2015/16 Total £000 |
|---|---|---|---|---|---|---|
| | | | **Income** | | | |
| (12,194) | 0 | **(12,194)** | Business Rates Receivable | (8,762) | 0 | **(8,762)** |
| 0 | (19,902) | **(19,902)** | Council Tax Receivable | 0 | (20,233) | **(20,233)** |
| **(12,194)** | **(19,902)** | **(32,096)** | **Total Income** | **(8,762)** | **(20,233)** | **(28,995)** |
| | | | **Expenditure** | | | |
| | | | Apportionment of Previous Year Surplus: | | | |
| 150 | 0 | **150** | Central Government | (187) | 0 | **(187)** |
| 27 | 238 | **265** | Somerset County Council | (34) | 363 | **329** |
| 0 | 39 | **39** | Police and Crime Commissioner for Avon and Somerset | 0 | 60 | **60** |
| 3 | 17 | **20** | Devon and Somerset Fire and Rescue Authority | (4) | 27 | **23** |
| 120 | 46 | **166** | West Somerset Council | (150) | 70 | **(80)** |
| **300** | **340** | **640** | | **(375)** | **520** | **145** |
| | | | Precepts and Demands: | | | |
| 5,900 | 0 | **5,900** | Central Government | 5,759 | 0 | **5,759** |
| 1,062 | 13,590 | **14,652** | Somerset County Council | 1,037 | 13,781 | **14,818** |
| 0 | 2,267 | **2,267** | Police and Crime Commissioner for Avon and Somerset | 0 | 2,345 | **2,345** |
| 118 | 1,017 | **1,135** | Devon and Somerset Fire and Rescue Authority | 115 | 1,052 | **1,167** |
| 4,720 | 1,823 | **6,543** | West Somerset Council | 4,608 | 1,886 | **6,494** |
| 0 | 812 | **812** | Parish Councils | 0 | 871 | **871** |
| **11,800** | **19,509** | **31,309** | | **11,519** | **19,935** | **31,454** |
| | | | Charges to the Collection Fund: | | | |
| 8 | 164 | **172** | Write offs of uncollectable amounts | 27 | 86 | **113** |
| 10 | (65) | **(55)** | Increase/Decrease in Bad Debt Provision | 55 | 0 | **55** |
| 6,267 | 0 | **6,267** | Increase/Decrease in Provision for Appeals | 1,150 | 0 | **1,150** |
| (170) | 0 | **(170)** | Appeals Settled in Year | (7,229) | 0 | **(7,229)** |
| 0 | 0 | **0** | Transitional Protection Payments | 4,839 | 0 | **4,839** |
| 0 | 0 | **0** | Disregarded Amounts | 27 | 0 | **27** |
| 75 | 0 | **75** | Cost of Collection | 75 | 0 | **75** |
| **6,190** | **99** | **6,289** | | **(1,056)** | **86** | **(970)** |
| **6,096** | **46** | **6,142** | **(Surplus) / Deficit for the year** | **1,326** | **308** | **1,634** |
| (83) | (535) | (618) | (Surplus) / Deficit b/fwd 1st April | 6,013 | (489) | 5,524 |
| **6,013** | **(489)** | **5,524** | **(Surplus) / Deficit c/fwd 31st March** | **7,339** | **(181)** | **7,158** |
| | | | Attributable to: | | | |
| 3,007 | 0 | **3,007** | Central Government | 3,669 | 0 | **3,669** |
| 541 | (338) | **203** | Somerset County Council | 661 | (126) | **535** |
| 0 | (58) | **(58)** | Avon and Somerset Police Authority | 0 | (21) | **(21)** |
| 60 | (26) | **34** | Devon and Somerset Fire and Rescue Auth | 73 | (9) | **64** |
| 2,405 | (67) | **2,338** | West Somerset Council | 2,936 | (25) | **2,911** |
| **6,013** | **(489)** | **5,524** | | **7,339** | **(181)** | **7,158** |

## 46 Income from Business Ratepayers

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area, which are based on local rateable values multiplied by a uniform rate. The Local Government Act 2015 introduced a business rates retention scheme that enables local authorities to retain a proportion of the business rates generated in their area. WSC pays 50% to Central Government, 9% to Somerset County Council, 1% to the Devon and Somerset Fire and Rescue Authority and retains 40% for itself.

The total non-domestic rateable value as at 31 March 2016 was £28,469,646 (31 March 2015 31,289,671). The standard national non-domestic multiplier for the year was £0.493 (2014/15 £0.482), the national domestic small business multiplier for the year was £0.480 (2014/15 £0.471).

## 47 Council Tax Base

The Council's tax base for 2015/16, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply), converted to an equivalent number of Band D dwellings, was calculated as follows:

| Band | Chargeable Dwellings | Conversion Factor | Band D Equivalent |
|---|---|---|---|
| **A (Disabled)** | 6.2 | 5/9 | 3.4 |
| **A** | 1,738.7 | 6/9 | 1,159.1 |
| **B** | 2,698.7 | 7/9 | 2,099.0 |
| **C** | 2,932.9 | 8/9 | 2,607.0 |
| **D** | 2,810.2 | 9/9 | 2,810.2 |
| **E** | 1,599.9 | 11/9 | 1,955.4 |
| **F** | 1,156.6 | 13/9 | 1,670.6 |
| **G** | 615.9 | 15/9 | 1,026.5 |
| **H** | 43.5 | 18/9 | 87.0 |
| | **13,602.5** | | **13,414.8** |

# 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.

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

**Investment**
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 though its continuing use.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Revenue Support Grant**
is a general grant paid by the Government to local authorities as a contribution towards the cost of their services.

**SeRCOP**
is the Government’s legislative framework for ensuring that local authorities report income and expenditure in a consistent manner.

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