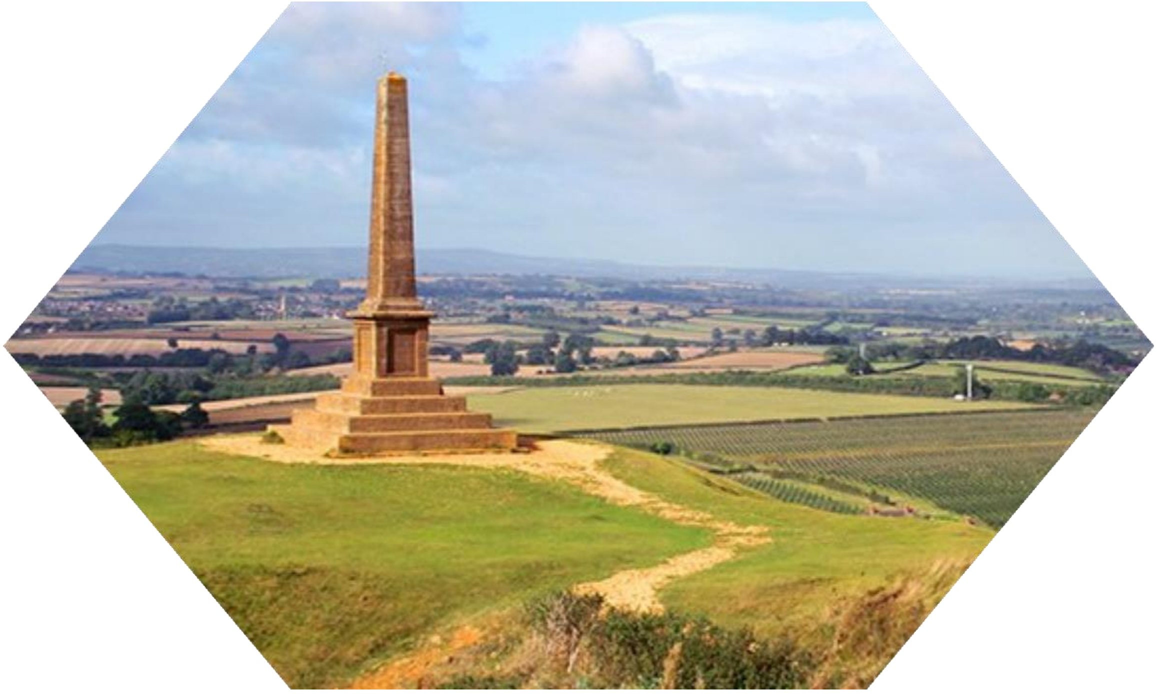
South Somerset District Council



Statement of Accounts 2016/2017

Contents

Narrative Report

An Introduction to South Somerset

South Somerset forms much of the eastern side of the County of Somerset. It comprises nearly a third of the County with a population of 165,000 and covers an area of 370 square miles (958 km2). South Somerset consists of a mixture of both sparsely inhabited rural areas and a network of market towns. Yeovil and Chard are the 2nd and 6th biggest towns in Somerset. South Somerset has 121 parishes with 102 parish and town councils and 39 wards.

The workday population is 160,000 and South Somerset has 5,480 businesses. The top industries are wholesale, retail, vehicle repair, manufacturing, health and social work, education and construction.

The Council itself has 420 full time equivalent staff and 60 elected councillors.

The Key Accounting Standards and Statements

The Statutory Statement of Accounts for 2016/17 has been produced in accordance with the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting based on International Financial Reporting Standards.

The accounts fairly reflect South Somerset District Council's financial position for the financial year ended 31 March 2017 and have been produced on a going concern basis. Our accounting policies are outlined in this document and have been fairly and consistently applied. We keep proper and up-to-date accounting records and take all reasonable steps to prevent and detect fraud and other irregularities.

The main purpose of the Accounts is to provide electors, council tax payers, members of the Council, employees and other interested parties with clear information about the Council's financial position. It should aim to provide answers to the following questions:

- What did the Council's services cost in the year?
- Where did the money come from?
- What are the Council's assets and liabilities at the year-end?

This Narrative Report provides information about South Somerset, including key issues affecting the Council and its Accounts. This gives a general guide to the significant matters reported in the financial statements and provides a summary of the overall financial position at 31 March 2017. The following pages explain the Council's financial position and include further details of its activities, cash flows and reserves.

The Section 151 Officer is the statutory officer responsible for the proper administration of the Council's financial affairs. He is required by law to confirm that the Council's system of internal controls can be relied on to produce an accurate statement of accounts. His statement of assurance for 2016/17 appears on page 21 of this document.

The main statements included in the accounts along with an explanation of their purpose are as follows:

Comprehensive Income and Expenditure Statement (page 36)
This account consolidates all the gains and losses experienced by the Council during the financial year. It details information about total expenditure on the services that we provide. Income for each service is matched against the expenditure to show the net cost of services. The account also shows how much is received from council tax and business rate payers and from general government grants to help meet the cost of services.

The presentation of the Comprehensive Income and Expenditure Statement has changed this year and should now reflect the way in which the Council operates or manages its services. For further information see Note 1.

Movement in Reserves Statement (page 37)
This statement summarises the movement in the year of the different reserves held by the Council.

Balance Sheet (page 38)
The balance sheet provides a snapshot of our financial position as at 31 March 2017. It sets out what we own and what we owe at that point in time.

Cash Flow Statement (page 39)
This statement summarises the total cash movements during the year for both capital and revenue purposes.

Expenditure and Funding Analysis (page 44)
The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the Council (i.e. government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Collection Fund (page 74)
We are legally obliged to maintain this fund separately from all our other funds and accounts. It shows the transactions that have arisen because we are a billing authority, collecting non-domestic rates and council tax on behalf of the precepting authorities (the police, fire service, county council, central government, town and parish councils) as well as for ourselves. The collection fund records the income we receive from local tax payers and the money that is distributed as a precept/proportionate share.

Summary of the Council's financial performance

Revenue Account Summary
Our revenue account (also known as the General Fund) bears the net costs of providing day-to-day services.

The budget for the 2016/17 financial year was set in February 2016.

Comparing actual spend to budget

The budget for the year was supported by a Band D Council Tax of £152.48, an increase of 3.20% on the previous year.

Our original total net expenditure budget for the year was £17.3m, this was financed by:
- £5.6m of business rates and general government grants
- £8.7m of council tax income; and
- £3.0m of new homes bonus

Our final revenue account for the year showed an underspend of £391k compared to the final budget for the year.

The three main variances between actual net spending and the revised budget that contributed to the variation were:

- Finance & Corporate Service's received additional investment income of £123k.
- Economy had an overspend due to compensation for planning appeals of £156k and reduced planning fee income of £89k.
- Health & Wellbeing, reported savings within Housing Services from additional funding for family & individual support of £137k and a reduction in its bad debt provision of £91k.

Reporting against Budget

The table below provides a high level summary of our net expenditure on services. The analysis reflects the responsibilities of our Executive Board Members.

All budgets are split between 'above' and 'below' the line with managers only being responsible for 'above' the line items. Above the line budgets include all of the items considered to be under the managers' control and include such things as employee costs, supplies and services, income etc. Below the line budgets include support services, capital charges and revenue expenditure funded from capital under statute. Only above the line items are reported to committee for budget monitoring purposes. The total cost of the service is established by adding the above and the below the line items together.

The table below sets out the overall picture of the 'above the line' revenue budgets that will form part of the annual Statement of Accounts. It compares the position to the previous financial year and the original and revised budget for 2016/17.

Previous Year Spend 2015/16 £'000s	Service	Original Budget 2016/17 £'000	Movement During the Year £'000	Final Budget 2016/17 £'000	Actual Spend 2016/17 £'000	Variation on Spend £'000
515	Strategic Management & Transformation	577.5	30.4	607.9	600.4	(7.5)
3,306	Finance & Corporate Services	3,704.8	116.9	3,821.7	3,590.2	(231.5)
1,438	Legal & Corporate Services	1,409.2	19.4	1,428.6	1,364.3	(64.3)
1,227	Economy	1,219.6	(42.9)	1,176.7	1,348.6	171.9
107	Policy & Performance	110.6	0.7	111.3	108.8	(2.5)
1,341	Communities	1,335.7	98.9	1,434.6	1,354.9	(79.7)
6,877	Environment	6,572.0	43.0	6,615.0	6,597.3	(17.7)
2,168	Health & Wellbeing	2,361.9	224.6	2,586.5	2,427.1	(159.4)
16,979	**Total**	**17,291.3**	**491.0**	**17,782.3**	**17,391.6**	**(390.7)**

Reconciliation to the Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement gives detailed information about the total expenditure on the services we provide. It also shows the council tax and government grants we received to help pay for those services.

The figures used in the table beneath are reconciled to the Comprehensive Income and Expenditure Statement as follows:

2015/16 £'000		2016/17 £'000
(86,638)	Gross income – "Where the money came from"	(86,345)
89,060	Gross Expenditure – "Where the money went"	92,389
2,422	**(Surplus)/Deficit for the year per the Comprehensive Income and Expenditure Statement**	**6,044**

Where the money came from

The following table provides an analysis of our main sources of income and compares the position to the previous financial year.

2015/16 £'000	Sources of Income	2016/17 £'000
12,770	Council Tax Payers (including Parish Precept of £4,842k)	13,477
11,806	Central Government Support (Including Business Rates)	13,711
46,069	Specific Government Contribution	42,303
770	Non-Government Grants & Contributions	2,318
13,632	Sales, Fees & Charges	12,726
594	Interest on Investment	630
997	Share of Right to Buy Receipts and other Easements	1,180
86,638	**Gross Income**	**86,345**

Where the money went

The following table provides an analysis of our main types of expenditure we incur and compares the position to the previous financial year.

2015/16 £'000	Categories of Expenditure	2016/17 £'000
16,252	Employees	17,066
3,109	Premises Related	3,107
1,015	Transport Related	1,035
6,685	Supplies and Services	7,392
6,071	Third Party Payments	6,126
45,032	Payments to Benefits Claimants	42,144
6,354	Capital and Financing Charges	10,662
4,542	Town and Parish Council Precepts	4,857
89,060	**Gross Expenditure**	**92,389**

Capital Account Summary

Our Capital account shows the income and expenditure transactions we make when we:

- Buy or sell land or property
- Build new property
- Carry out major repairs or improvements to our properties
- Provide grants for the above type of activity

Comparing actual gross spending to gross budget

Our original gross budget plan for the year was to spend £9.464m on capital projects. We revised our capital budget for the year to take account of the position at the end of the 2016/17 financial year and the progress on the ground with our capital projects. The revised gross budget total was £9.901m, an increase of £437k.

Our gross capital spend for the year against the capital programme was £8.675m, in addition £109k was spent on leased vehicles and £202k on internally funded borrowing for assets. Therefore a total gross spend of £8.986m.

Explaining the big differences

The total gross spend was £915k less than the revised gross budget. The main variances between actual gross spend and the revised budget that contributed to the variation was:

- £199k underspend on affordable housing. This relates to two developments that have been delayed therefore 'start on site' payment not yet claimed by the Housing Authorities.

- £190k across the area capital budgets where individual grants have not been claimed.
- £180k for Huish Episcopi Swimming Pool but project delayed therefore grant not yet claimed.
- £156k for enhancements to the Council's assets (replacement fire and intruder systems across many sites) commenced but not yet fully completed.

Where the money went:

Capital Expenditure	**Original Budget 2016/17 £'000**	**Final Budget 2016/17 £'000**	**Actual Spend 2016/17 £'000**	**Variation £'000**
Finance and Corporate Services	1,900	1,698	1,698	0
Economy	2,690	1,391	1,102	289
Communities	798	557	218	339
Environment	1,455	1,968	1,864	104
Health & Well-being	2,621	4,287	4,104	183
Total Spent	**9,464**	**9,901**	**8,986**	**915**

All of the £915k underspend will be carried forward to spend in 2017/18.

Financing of Capital Expenditure	**2016/17 £'000**
Capital receipts	6,697
Capital Fund	155
Capital Grants from non-government funding partners	1,245
Capital Grants from central government	889
Gross capital spend	**8,986**

As the table above shows, we continued with our good record of levering in other people's money to help pay for our capital projects. We contributed £6.852m towards the £8.986m we spent last year. This means, for every £1 of our capital resources we contributed, we received 24p from external organisations.

Our capital receipts are very important to us. Income from our investments is required to support the revenue account each year. We began 2016/17 with £34.989m of capital receipts that could be used to fund capital expenditure and ended the year with £29.851m.

The table below shows the capital receipts we received in the year and the amount that was used to fund capital expenditure.

2015/16 Total £'000	**Movement in Year**	**2016/17 Total £'000**
(35,659)	Balance at beginning of year	(34,989)
(1,141)	Receipts from Sale of Assets	(1,462)
1,804	Receipts applied to finance capital expenditure	6,589
7	Amounts payable to the housing capital receipt pool	5
(34,989)	**Balance at end of year**	**(29,857)**

Cash flow

The Council maintains short and long term cash flow projections. The Council has no long term borrowing commitments. As at the 31st March 2017 the Council held £53.086m in investments. Of this sum around 57% was held in highly liquid investments. £9.944m was invested for longer than 364 days and no investments were made for longer than five years.

Reserves and Balances summary

Sound financial management and a strong track record of striking the right balance between spending and the need to maintain a core level of resources to support the revenue account means that our finances are in a healthy state. The state of our financial well-being is reflected in the level of reserves and working balances we hold.

The General Fund Balance of £5.077m, represents the accumulated revenue surpluses and should provide a financial cushion should anything unexpected happen that leads to unplanned expenditure.

An exercise is undertaken to establish the areas of significant risk within the revenue budget and the likelihood of the risk occurring. This assessment allows us to calculate how much money the Council should hold in reserve, for 2016/17 the figure was in the range of £2.800m and £3.100m as at the 31st March 2017.

In addition we maintain a number of earmarked reserves. These are reserves we keep for specific types of expenditure in the future. Examples include election costs, leisure centre repairs, grant and leisure development. We also currently hold £6.624m within a MTFP Support Fund to protect the annual budget from a sharp decline in New Homes Bonus funding. We added £6.130m to earmarked reserves during the course of the year, but also spent £4.415m on specific projects. As at 31 March 2017 we have £14.778m of these earmarked reserves for use in future years.

Balance sheet summary

At 31 March 2017 the Council's net assets amounted to £19.265m (£38.234m at 31 March 2016). The Council's net assets are significantly decreased by the pension scheme liability of £86.471m (compared to £68.578m at 31 March 2016). The present value of the pension scheme liabilities have increased to £184.778m (from £148.511m at 31 March 2016) and the fair value of the scheme assets have increased to £98.307m (£79.933m at 31 March 2016).

In practice the amount of net worth that can be used is £50.184m (Usable Capital Receipts £29.860m, Capital Grants Unapplied £0.469m, Earmarked Reserves £14.778m and General Fund Balances £5.077m). The Council also has shares in a joint venture with net worth of £0.608m. The remaining £31.527m is held in technical reserves which are not available for use.

Pensions

Information provided by the actuaries of the Somerset County Council pension scheme indicates a net deficit on the Council's share of the Fund of £86.471m (£68.578m at 31 March 2016). The increase in the deficit is largely due to a change in the financial valuation assumptions by the actuaries.

This is a real liability, which has resulted from pension entitlement earned by employees. It appears in the Council's Balance Sheet but any immediate impact on levels of council tax is neutralised by a matching pension reserve. Funding of the deficit will be met in future years by a combination of increased employer contributions and changes in the value of the Pension Fund. Actuarial valuations are made every year and these will guide the Council in addressing the amount of the deficit.

Collection Fund

As part of the 2017/18 budget setting, an estimate was made on the position of the collection fund as at 31st March 2017. This assessment is split into two elements, one relating to council tax and the other relating to business rates. The estimated and actual position for each is shown below. The figures relate to the Council's share of the surplus/deficit, excluding any preceptor and central government share.

Fund	Estimated (surplus)/deficit £'000	Actual (Surplus)/deficit £'000	Difference £'000
Council Tax	(75)	(131)	(56)
Business Rates	(519)	(588)	(69)
Total	(594)	(719)	(125)

The Next Twelve Months & Medium Term Outlook

The budget for 2016/17 was the first to be prepared following the announcement by Government of the Comprehensive Spending Review for 2016/17 to 2019/20 and a challenging Local Government settlement for the same period. South Somerset District Council is continuing to face the challenge of reducing resources. In October 2016 Members voted to accept a four-year settlement of central government grants as did 97% of all local authorities. Our Efficiency Statement was approved by central government and this ensures that the funding for the next three years is as follows:-

	Revenue Support Grant (RSG) £'m	Rural Services Delivery Grant £'m
2017/18	0.803	0.133
2018/19	0.269	0.103
2019/20	-0.330	0.133

The Medium Term Financial Plan (MTFP) at South Somerset spans three years with a further two years added to show the likely longer-term picture. The Medium Term Financial Strategy links the resources required to deliver the Council Plan and the Council's priorities.

The Council approved its 2017/18 budget in February 2017, with a net budget of £17.379m. The 2017/18 budget was supported by £464.9K of balances. The MTFP at that stage showed a projected budget gap; the difference between our funding and projected costs; for each year of the plan rising from £0.737m in 2018/19 to £2.714m by 2021/22. The figures include all estimates for pay awards, pension costs, inflation, council tax, business rates, and Government grant.

The Council has embarked upon a Transformation Programme which represents a significant change in the way the Council works and delivers services. When Members approved the Efficiency Strategy this approved the flexible use of up to £500k in capital receipts towards revenue costs of the Transformation project, using temporary powers provided by Government. The authority also has a considerable requirement for capital resources through its Transformation, Regeneration, and Income Generation Boards. It is therefore important that the Council is able to take up the offer of "Flexible Capital Receipts" to ensure that its ambitions can be delivered.

Members agreed in October 2012 that New Homes Bonus (NHB) would be mainstreamed as part of the overall funding package with a set limit of a maximum list of £3.000m per annum to support the budget. As part of the annual financial settlement the government has set a national baseline for housing growth of 0.4% (300 new homes for SSDC), and NHB will only be paid for new homes built and occupied above this. As a result of this change the Council's dependency on NHB will be reduced by £250k per annum from 2019/20 onwards.

The way in which RSG has been reduced has been by adding together Council Tax income and the overall grant settlement and then using a scaling factor to calculate the reduction in grant. This would mean in effect that £330k from local taxation would be returned to central Government to be redistributed to other authorities.

In 2019/20 Revenue Support Grant will disappear and be replaced with 100% Business Rates Retention; however at this time how the mechanism will operate is relatively unknown. In addition the 2017 snap general election has caused uncertainty on the actual timing of its implementation.

The 2017/18 business rates retention funding budget was set based on the draft 2017 valuation list. This area of funding can be volatile with the main risks around economic growth, the NHS request for relief, and appeals. Business rates funding remains one of the Council's greatest financial risks, and maintains contingency funds within a Volatility Reserve. This approach seeks to ensure that the inherent volatility of business rates does not impact on service delivery. The Somerset NDR Pool, as was, has ceased for 2017/18 because of the risks around revaluation and the NHS request for mandatory relief.

Risk Management

There are some key risks inherent in the 2017/18 revenue budget since the budget is a financial plan based on assumptions and estimates.

- There remains substantial risk in the banking sector and the added risk of “bail-ins” protection of the Council’s principal sums continue to be our primary concern. The Finance team continues to take regular advice from its treasury advisors Arlingclose and are monitoring the situation closely. Any loss of principal would need to be found from revenue balances and reserves.

- The Valuation Office has undertaken a nationwide exercise to revalue business rates from April 2017. Our budget has been estimated based on the draft 2017 valuation list, with the final valuation list received at the end of March 2017, after the budget was approved. The risk of volatility in business rates income remains with previous outstanding appeals, the potential for new appeals against the 2017 valuation, and contested claims from the local NHS Foundation Trusts for mandatory relief.

- The Council is currently engaged in plans for Devolution. This may include joining some services and/or joint funding. It may bring additional funding to the region as well as additional burdens. It also carries risks of possibly receiving less central government funding for example infrastructure grants if it does not go ahead.

- The Council Tax Scheme carries risks of additional demand and non-collection. This will continue to be monitored through budget monitoring reports in 2017/18.

- Housing Benefit Subsidy is administered on behalf of Central Government by the Council and a grant reimburses expenditure incurred. Approximately £43m in benefit is paid out and the grant normally accounts for 100% of this, however adjustments reducing the grant are made for local authority errors.

- A downturn in the economy for example through Brexit would impact on our key income streams including business rates. A 5% reduction in development control, car parking, and building control alone would result in the loss of £152k per annum.

- The Westlands Leisure Complex became operational in early 2017. A net budget of £62,500 has been set for this however, it will require close monitoring in its first year of operation to ensure that spend and income remain within the business case agreed.

- The Transformation budget has been reviewed now the technology solution has been assessed. The profile of savings have been amended in the 2017/18 budget but will need monitoring to ensure that savings are delivered on time, and the impact on balances of any delays is carefully managed.

- The 2018/19 budget requires further savings of £0.737 million at a time when the Council will be delivering the Transformation programme. The strategy for addressing this gap will be updated during 2017.

Non-financial performance of the Council

The Council is accountable for its performance to the local community and we publish performance data to enable us to demonstrate achievements against targets.

The Council Plan depicts our aims, values, priorities and areas of focus on a single page and was adopted by Full Council in April 2016. It is titled ‘Tackling the Challenges’ and, despite the financial situation, it shows ambition with a coordinated and holistic approach. The four priority areas from the previous Council Plan (*Economy, Environment, Homes and Health & Communities*) are retained but a new priority area is added, ‘*High quality, cost effective services*’. This enables the Council to make savings to meet future budget shortfalls with the intention that front-line services are protected wherever possible. It includes the Action Plan for 2016-17 which is shown below.

Annual Action Plan on a Page

Purpose: The Annual Plan outlines agreed high level actions for each year. It will be updated each year, with an annual monitoring report to Full Council.

Priority Levels: Council Plan delivery is designed to be flexible to allow urgent projects to be added mid-year. To aid flexibility, actions are prioritised as High, Medium and Low. Lower priority actions or those in italics will start when capacity allows, when the opportunity arises or if external resource is identified within the project plan.

Our plans for 2016-17

High quality cost effective services

H Commence the delivery of the Transformation programme

H Set up Income Generation Board and develop prioritised action plan.

M Optimise council assets to increase use or receive income.

H Take a full role in the emerging Devolution discussions to ensure the best outcome for South Somerset communities.

H Work with Sedgemoor District Council on the formation of a strategic alliance to increase influence, resilience and savings.

Economy

H Engage pro-actively with the LEP to maximise investment in South Somerset.

H Progress key strategic projects such as Lufton 2000 and Chard Regeneration.

H Agree a prioritised action plan to deliver local projects with Regeneration Boards.

H Progress the key infrastructure projects that unlock development.

M Support district-wide roll out of superfast broadband.

H Progress work hubs in Chard and Yeovil.

H Progress options to improve access /regeneration of Yeovil Town Centre.

H Continue to support intern and apprentice scheme.

M Deliver a South Somerset food & drink promotional event.

Environment

H Agree a new waste and recycling collection model to enhance recycling and reduce costs.

H Maintain levels of street cleanliness and increase the joint work with parishes via the parish ranger scheme.

H Improve gateway to Ham Hill CP through road and high profile signage scheme.

H Increase visitor numbers (and YCP café income) via an exciting events programme.

H Diversify volunteering opportunities to increase capacity for projects in all Country Parks.

M Begin installing 4km of paths within our open spaces to improve ‘access for all’.

H With SRA, deliver Enhanced Maintenance Programme.

M Deliver or enable a range of energy reduction projects

Homes

H Increase housing supply to meet local needs by the agreed investment of £2.4m.

H Contribute to the review of DFG effectiveness led by the Health and Wellbeing Board.

H Work with partners to secure supported hostel and move on accommodation for vulnerable individuals.

M Continue to bring empty properties back into use.

M Continue to work with CSE on fuel poverty schemes.

M Promote Careline to increase take up and enable people to continue living independently.

M Develop a Lettings Agency project.

M Explore an enhanced landlord accreditation scheme.

Health and Communities

H Support residents through national benefit changes including universal credit.

H Agree lease, refurbish and relaunch WLC Sport, Conference & Entertainment Facilities.

H Deliver Healthy lifestyles projects inc Yr 1 of project to deliver integrated interventions to those with diabetes and hypertension.

M Transfer Castle Cary Market House to community.

H Enable enhancement of at least 8 play & youth facilities.

H Support Huish Episcopi academy community swimming pool project.

M Work with partners on public sector hub in Yeovil.

H Support at least 50 community projects.

H Prepare a plan to develop & deliver leisure facilities in Chard.

Our outcomes for 16/17 are:

High quality cost effective services

The first action under high quality, cost effective services is to commence the delivery of the Transformation Programme. The full Transformation Programme represents a significant change in the way the council works and delivers services - the biggest change for over twenty years.

The Transformation Programme will see us adopt a very different way of working and delivering services, using technology as an enabler to support the development of a more modern, flexible organisation that can continue to change and develop in to the future.

We need our performance management framework to change too, so we can achieve the highest quality outcomes for our communities. As an integral part of the Transformation Programme, work has begun to redesign the collection, analysis and reporting of performance data throughout the Council, not only to ensure we achieve the outcomes we set ourselves but also to ensure that good quality data will drive and underpin our future policy development. Updates on this work will be made to members as part of the Transformation Programme reporting cycle.

Other actions undertaken during 2016/17 in this area include:

- The Income Generation Board is currently considering a number of projects to create new income streams.
- Work has begun to develop a commercial land and property strategy which drives income generation whilst meeting the economic, generation and housing ambitions of the Council.
- The Council is fully involved in devolution discussions with the 17 member councils forming the Heart of the South-West partnership. Progress has slowed following the changes in government after the EU Referendum.
- Opportunities have been explored with Sedgemoor DC including joint responses to government consultations, flood response and HR protocols.

Economy

- Funding has been secured through the Growth Deal for the Innovation Centre phase 2 and the Somerset County Council iAero project.
- It was agreed in December 2016 to move to a community-driven approach for the development of the Chard Town Centre Regeneration with the Council taking on the role of developer.
- The contract for phase 2 of the district-wide roll out of superfast broadband was awarded in November 2016 with the coverage of the scheme due to be detailed and agreed in spring 2017.
- The work hub trial at Yeovil Innovation Centre (YIC); ‘Hive’, saw interest grow in early 2017 which could attract new tenants to the YIC.
- Yeovil Refresh is underway with consultants exploring uses and options for key sites within the town.
- We continue to support Yeovil College to promote apprenticeships to our businesses and support the college with their initiatives to ensure that business/college engagements are brokered where possible.

Environment

- Negotiations are ongoing on a new waste and recycling model to increase recycling and make budget savings.
- We continue to maintain a high level of street cleanliness and currently run four rangers who serve 21 parishes compared to 18 parishes in the previous year.
- Access has been improved at Ham Hill Country Park with tarmac road surfacing and line marking completed and gravel car parks are to be graded during the spring. The high profile signage still needs to be resolved with the land owner.
- Visitor numbers increased with 118 events attended by an estimated 11,281 participants delivered by the ranger team during the year.
- 3,019 volunteering days were donated to countryside projects across the year.
- The four schemes planned for paths to improve access for all within our open spaces (Howards Road and Milford Park Yeovil, the recreation ground Stoke Sub Hamdon and the Alvington open space pathway) have been delivered.

- A bid for resources from the Somerset Rivers Authority to deliver enhanced maintenance and a number of potential sites have been considered with preliminary work commenced to produce specifications.
- A number of energy reduction projects have been delivered including front of house and dressing room lighting at the Octagon, cooling system to the gym and hall at Wincanton Sports Centre and waste heat reclaimed. At Goldenstones a new power unit will assist with reducing energy consumption and waste heat is now fed into the pool hall ventilation.

Homes

- To increase housing supply a lease has been agreed with Stonewater Housing Association and two properties have been purchased.
- A review of effectiveness of the disabled facilities grants has been completed and agreed by Members in January 2017.
- A supported hostel for vulnerable individuals has been secured until March 2019.
- Between October 2015 and October 2016 145 empty properties were brought back into use.
- The Centre for Sustainable Energy (CSE) offer a free energy advice line for SSDC residents on all free/low cost energy schemes available
- Careline, an emergency response scheme for the elderly, has 2,121 customers and installed 515 alarms during 2016/17.
- Discussions took place with landlords during 2016/17 to develop a lettings agency and these will continue during 2017/18.

Health and Communities

- CLICK into Activity in Chard, Crewkerne, Broadway and Ilminster has seen 293 inactive patients access projects.
- Nine play and youth facilities were enhanced in Chilthorne Domer, Crewkerne, Ilminster, Martock, Wincanton and Yeovil.
- A funding package has been secured for the Huish Episcopi Academy community swimming pool project and planning has been approved. Contractor appointment is expected in June 2017 with working commencing in July 2017.
- A lease has been agreed for the Westlands Sports, Conference & Entertainment Facility. Refurbishment work of the sport and fitness centre, conference and entertainment centre has been completed and the services relaunched. The pavilion is scheduled for completion in spring 2017.
- The Somerset One public estate bid has resulted in a £100k grant and works began in January 2017.
- We have supported a total of 111 community projects giving advice on project development and funding, issuing grants, printing and supporting events.
- We have helped sustain Chard area sports clubs. Following a local campaign Somerset County Council has set aside £150k to improve the swimming pool. The Holyrood Academy AGP has been resurfaced with financial support from SSDC.

Summary of Corporate Performance Indicators

The performance indicators consist of 39 locally set indicators which are linked to our corporate priorities. These were selected and approved by members in May 2012. 18 of these are corporate performance indicators, against which the Council's performance is measured. The remaining South Somerset indicators are those over which the Council has less influence.

Indicator Status	2016/17		2015/16	
On or Above Target	15	83.3%	14	82%
Within 10% of Target	1	5.6%	0	0%
More than 10% Below Target	2	11.1%	3	18%
TOTAL	18	100%	17*	100%

* Annual data not available for PI031 in 2015/16.

2016/17 Annual Performance Indicator Report

Key:						
Status:	On Target		<10% Below Target		>10% Below Target	
Trend:	Improved	↑	Stayed the Same	↔	Deteriorated	↓

Measure	16/17 Target	16/17 Outturn	Previous Year Outturn	Status	Trend	Comments
Corporate Performance Indicators:						
PI003 - % of planning appeal decisions allowed against the authority's decision to refuse	33%	33%	25.00%	On Target	↓	
PI004 – Number of days taken to process Housing Benefit/ Council Tax Benefit new claims and change events.	12.00	6.00	8.75	On Target	↑	
PI005a - % Working age people on out of work benefits	8.7%	6.8%	6.9%	On Target	↑	As at August 2016: Nov 2015 6.9/ Feb 2016 6.9/ May 2016 6.8/ Aug 6.8
PI008 – Requests for action from the Streetscene team	3,100	2,536	1,721	On Target	↓	
PI010 – Total number of fly tips reported	1,800	1,165	1,079	On Target	↓	
PI011 – Total estimated cost of reported fly tips	£55,860	£62,541	£51,045	>10% Below Target	↓	The increase in fly tips occurred at the same time as an increase in charges at the recycling centres.
PI012 – Average number of days to respond to a reported fly tip	5.0	5.0	4.8	On Target	↓	
PI013 - % of household waste sent for reuse, recycling and composting	45%	46.21%	45.6%	On Target	↑	The Somerset Waste Board agreed on 16th December 2016 on a new recycling model. Performance collection data will no longer be collected on a district by district basis. A combined report for all statistics will be provided to SWB. You can access this information via: http://democracy.somerset.gov.uk/ieDocHome.aspx?bcr=1
PI014 - Performance against the Streetscene annual work programme - 80% either on target or complete	80%	100%	100%	On Target	↔	
PI019 – Average length of stay in Temporary Accommodation (B&B)	3.5	0.9	0.6	On Target	↓	
PI020 – Total number of people in Temporary Accommodation (all types)	75	37	38	On Target	↑	

Measure	16/17 Target	16/17 Outturn	Previous Year Outturn	Status	Trend	Comments
PI026 - Number of Vacant Dwellings Returned to Occupation or Demolished	25	145	11		↑	Environmental Health work with the Revenues department to keep the accounts up to date and accurate. Higher than expected outturn due to how PI026 now being calculated according to CTB.
PI026a - % of Vacant Dwellings Returned to Occupation or Demolished	4%	21%	0%		↑	% increase due to way figures now calculated according to CTB
PI031 - % of calls to the contact centre resolved in the contact centre	62%	63.3%	*Data Not Available*			
PI032 – Working days lost due to sickness absence per Full Time Employee (FTE)	8	8.74	10.58		↑	57% of absence due to long term absence. 5 staff accounted for 20% of the total absence.
PI035 – Percentage of Council Tax Collected	97.75%	98.04%	97.24%		↑	
PI036 - % of staff either satisfied or very satisfied with the Council as an employer	75.00%	72.00%	78.00%		↓	Limited data collected through exit interviews. Wider staff surveys are planned for 2017/18.
PI038 – Total cost of SSDC per head of population	£111.35	£105.07	£106.07		↑	

Measure	16/17 Outturn	Previous Year Outturn	Comments
South Somerset Indicators:			
PI001a – Number of Housing Benefit cases received	9,255	9,618	
PI001b – Number of Council Tax Reduction cases received	10,118	10,570	
PI002 – Total number of JSA claimants in South Somerset	867	701	
PI006 - Instances of inward investment into the District and measure of economic impact (number of new jobs created/ sustained/ start up business supported)	N/A	N/A	Although we have had 16 enquiries none of them have yet resulted in business start-ups or job creation.
PI007 - Number of Economic Development Enquiries	1083	940	Does not include PI006.
PI009 – Number of bin collections missed per 1000 households (all types – dry recycling and kitchen waste, refuse and garden)	2.40	2.45	See comment for PI013
PI015.1 - % of households on the Choice Based Letting waiting list in the Bronze banding	54.7%	52.9%	
PI015.2 - % of households on the Choice Based Letting waiting list in the Silver banding	34.9%	33.2%	
PI015.3 - % of households on the Choice Based Letting waiting list in the Gold banding	10.4%	13.8%	
PI015.4 - % of households on the Choice Based Letting waiting list in the Emergency banding	0.1%	0.1%	
PI021 - Affordable homes completed as a % of all new housing completions	N/A	10%	Primary evidence for the indicators is gathered and processed from 31st March 2017, the end of the financial year. The resulting data will be included in a report to District Executive on housing delivery – anticipated date June 2017
PI022 - % New Homes built on Previously Developed Land	N/A	57%	See comment for PI021
PI023 - Net additional homes provided SSDC	N/A	606	See comment for PI021
PI025 - Number of cases of homelessness helped	50	37	
PI027 - Number of new affordable homes enabled	59	127	Consistent with the 'Affordable Housing Development Programme' report made to DX on 1st September 2016, in particular Graph 1, para 10.2.1, section 12 and appendix B. The housing delivery programme tends to come in peaks and troughs; however delivery in 2016/17 has been relatively low.

Measure	16/17 Outturn	Previous Year Outturn	Comments
PI028 - Net increase in dwellings on the Council Tax Register	655	632	Data is from the Government return - CTB which is taken at October each year
PI029 – Number of incidents of antisocial behaviour reported to SSDC (excluding fly tipping and dead animals)	2,097	2,080	Figures are now collected through the EP team on the FLARE system.
PI030 - Number of local action groups supported per year	4	4	Crewkerne, Yeovil, Martock, Chard.
PI033 – Total number of complaints received	170	243	
PI034 - % of complaints resolved at stage 1 of complaints procedure	98.2%	96.4%	
PI037.a - Number of FTEs employed by SSDC Annual Snapshot	407.23	409.68	

Complaints

During the period 1st April 2016 – 31st March 2017, the Council received 170 complaints from members of the public. The number of complaints in relation to the volume of transactions completed remains very low. The majority of cases (98.2%) have been resolved at stage 1, indicating that the complaints procedure is effective. The services receiving the majority of complaints were: Streetscene 31%, Arts & Entertainment 14%, Revenues and Benefits 14%, Environmental Health 10% and Development Control/Spatial Policy 7%.

Independent Auditor’s report to the members of South Somerset District Council

We have audited the financial statements of South Somerset District Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

Respective responsibilities of the S151 Officer and auditor

As explained more fully in the Statement of Responsibilities, the S151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the “Code of Audit Practice”) and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the S151 Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report, and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

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

Opinion on other matters

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

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in ‘Delivering Good Governance in Local Government: Framework (2016)’ published by CIPFA and SOLACE; or

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

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

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

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

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

Scope of the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources
We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor

General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

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

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

Barrie Morris
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Hartwell House, 55-61 Victoria Street, Bristol, BS1 6FT
27 July 2017

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Council is required to:-

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that responsibility rests with the S151 Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts

S151 Responsibilities

The S151 officer is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing this statement of accounts, the S151 officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the CIPFA Code of Practice.

The S151 officer has also:

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

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

Signed:

S151 Officer

Date: 27 July 2017

Statement of Accounting Policies

1. General Principles

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

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

2. Accruals of Income and Expenditure

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

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

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

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

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

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

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

3. 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 short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. SSDC will include deposits in Money Market Funds and Business Reserves in Cash Equivalents.

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

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

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

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

5. Charges to Revenue for Non-Current Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real 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 cover depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance.

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

6. Employee Benefits

Benefits Payable During Employment
Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits
Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the authority can no longer withdraw the offer or those benefits or when the authority 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 Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

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

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

- The liabilities of the Somerset County Council Pension Scheme attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to the 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 based on the yield at the 19 year point on the Merrill Lynch AA rated corporate bond curve.

- The assets of the Somerset County Council Pension Fund attributable to the Council are included in the balance sheet at their fair value:
  - quoted securities - current bid price.
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value

The change in the net pensions 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 is allocated to the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - Past service costs – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years is debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
  - Net interest on the net defined benefit liability, ie net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

- Remeasurements Comprising:
  - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Actuarial gains and losses – changes in the net 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 Authority to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and 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 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.

7. Events after the Balance Sheet Date

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

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the Statements 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.

8. Financial Instruments

Financial Liabilities
Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest of 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.

This means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over a minimum period equal to the outstanding term on the loan or 10 years (if shorter) against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets
Financial assets are classified into two types:

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

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

Loans and Receivables
Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. 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 the 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 Authority 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 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 prices – the market price
- Other instruments with fixed and determinable payments – discounted cashflow analysis
- Equity shares with no quoted market prices – multiple valuation techniques (which include market approach, income approach and cost approach)

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 authority can access at the measurement date
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly
- Level 3 inputs – unobservable inputs for the asset

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

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 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 and losses that arise on the de-recognition 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)

9. Government Grants and Contributions

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

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

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

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

Community Infrastructure Levy

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

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

10. 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) are capitalised at cost when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might have fallen in value – 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 £10,000) the Capital Receipts Reserve.

11. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO (first in first out) costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

12. 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 building elements are considered separately for classification.

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

The Authority as Lessee

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

Lease payments are apportioned between:

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

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

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

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

The Authority as Lessor

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

Lease rentals are apportioned between:

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

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

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

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

13. Overheads and Support Services

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

14. Investment Properties

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 valued 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 the Capital Receipts Reserve.

15. Joint Operations

Joint operations are arrangements where the parties that have control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises:

- Its assets, including its share of any assets held jointly
- Its liabilities, including its share of any liabilities incurred jointly
- Its revenue from the sale of its share of the output arising from the joint operation
- Its share of the revenue from the sale of the output by the joint operation
- Its expenses, including its share of any expenses incurred jointly.

16. Property, Plant and Equipment

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

Recognition

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

- The expenditure incurred is below £10,000, except Capital Grants where the limit is £1,000. In such cases expenditure is charged direct to the revenue accounts.
- The asset is acquired through an operating lease when rental payments are charged to the revenue account.

Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use (such as purchase price; any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management).

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

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

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

Assets included in the balance sheet at current value are re-valued 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 Surplus or Deficit on the Provision of Services 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 the balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

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

Assets which have been significantly enhanced are brought forward in the five-year rolling programme to ensure that the independent valuer can correctly assess their new carrying value, this ensures that any potential overstatement only reflects a short timing difference between the enhancement taking place and the valuer assessing its impact on the asset's carrying value.

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

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

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

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

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

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant and equipment - straight-line allocation over the life of the asset.
- Infrastructure – straight-line allocation over the life of the asset.

The following standard estimated lives are used for newly acquired assets:

	Years
Office Buildings	60
Public Conveniences	50
Sports and Leisure Centres	40
Vehicles	10
Cremators	10

Where an asset includes a number of components with significantly different asset lives, these components are then treated as separate assets and depreciated over their own useful economic lives. See Component Accounting policy.

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 31 March and the service accounts receive a full year's charge for depreciation as appropriate. Assets acquired during the year attract no 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 losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

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

Amounts in excess of £10,000 received from disposals are categorised as capital receipts and credited to the Capital Receipts Reserve, which can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. If the proceeds are £10,000 or less, they are not treated as capital receipts but are instead credited to revenue.

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

A proportion of receipts relating to housing disposals is payable to the Government. In practice this relates only to mortgage repayments, 75% of which must be paid over to the Government.

17. Component Accounting

Components of non-current assets do not always have the same useful lives and may depreciate or wear out at different rates throughout their life. Therefore, it is appropriate to depreciate each significant component separately over its useful life, in order that the Comprehensive Income & Expenditure Account is fairly charged with the consumption of economic benefits of those assets.

Where a significant component is expected to wear out more quickly than the overall asset, it is depreciated over a shorter period of time and any subsequent expenditure on restoring or replacing the component is capitalised (with any carrying amount of the replaced component being written off to the Comprehensive Income and Expenditure Statement).

From 1st April 2010, components will be recognised when an asset is enhanced, acquired or re-valued. Where a component is replaced or restored, the carrying amount of the old component is derecognised.

- Land and individual buildings will be valued separately.

- Assets are deemed to be material and considered for componentisation when the cost or value in the Balance Sheet is at least £500,000 (approximately 1% of the authority's non current assets).

- Each asset will be reviewed individually by the valuer to determine whether any part of a material asset has a differing useful life or method of depreciation. The assets will be reviewed by the following:
    - Sub Structure
    - Superstructure (frame, upper floors, roof, stairs, external walls, windows, external doors, internal walls, partitions, internal doors)
    - Internal finishes (walls, floors and ceilings)
    - Fixtures (sanitary, water, disposal equipment)
    - Engineering services (heating, air treatment, gas installations, lifts, protective, communications)
    - External works

- Where component spend is worth 20% of the total cost value of the asset it is deemed to be significant. Where information is not readily available to determine the value of components, a best estimate will be accounted for and detail of how the estimate was arrived at, in liaison with relevant professional advice, will be documented.

18. Heritage Assets

A heritage asset is an asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. There is no requirement for valuations for heritage assets to be verified by external auditors, nor is there any prescribed minimum period between valuations. Where the cost of obtaining valuation information is not commensurate with the benefits, the Council will not recognise these assets in the Balance Sheet.

The Council's heritage assets are predominantly the museum stock that is held at the Community Heritage Access Centre (CHAC).

The Authority recognises these collections on the Balance Sheet using its base as the detailed insurance valuations held by the Authority in respect of the collections. The collections are deemed to have indeterminate lives; hence the Authority does not consider it appropriate to charge depreciation.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment. Disposals of any heritage assets are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

19. 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 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 when the authority has an 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 payments required to settle a provision are expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settle the obligation.

Contingent Liabilities

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

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

Contingent Assets

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

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

20. 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. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

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

21. Revenue Expenditure Funded from Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of non-current assets 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, 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 there is no impact on the level of council tax.

22. VAT

The Council does not include VAT as part of income or expenditure, whether of a capital or revenue nature except where it is not able to recover VAT.

23. Related Party Transactions

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

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

24. Council Tax and Non Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (ie the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and National Non-Domestic Rates

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Comprehensive Income and Expenditure Statement

(Brackets represent income)

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserve Statement.

Restated Gross Expenditure year ended 31 March 2016 £'000	Restated Gross Income year ended 31 March 2016 £'000	Restated Net Cost of Services year ended 31 March 2016 £'000	Service		Gross Expenditure year ended 31 March 2017 £'000	Gross Income year ended 31 March 2017 £'000	Net Cost of Services year ended 31 March 2017 £'000
548	0	548	Strategic Management & Transformation		1,547	(15)	1,532
51,396	(47,417)	3,979	Finance & Corporate Services		49,078	(44,263)	4,815
2,107	(651)	1,456	Legal & Corporate Services		1,923	(572)	1,351
3,475	(1,954)	1,521	Economy		4,611	(1,998)	2,613
116	0	116	Policy & Performance		110	0	110
1,650	(217)	1,433	Communities		1,766	(172)	1,594
15,109	(6,590)	8,519	Environment		15,918	(7,004)	8,914
6,633	(2,846)	3,787	Health & Wellbeing		9,810	(3,280)	6,530
81,034	**(59,675)**	**21,359**	**Cost of Services**		**84,763**	**(57,304)**	**27,459**
4,536	(997)	3,539	Other Operating expenditure	10	4,847	(1,180)	3,667
11		11	Net Loss/(Gain) on Disposal of Property, Plant and Equipment	12		(43)	(43)
2,683	(594)	2,089	Financing and Investment Income and Expenditure	13	2,779	(630)	2,149
	(24,576)	(24,576)	Taxation and Non-Specific Grant Income	14		(27,188)	(27,188)
88,264	**(85,842)**	**2,422**	**(Surplus)/Deficit on Provision of Services**		**92,389**	**(86,345)**	**6,044**
		(2,011)	(Surplus)/Deficit on revaluation of Property, Plant and Equipment	31			(2,205)
		(101)	(Surplus)/Deficit on revaluation of Available for Sale Financial Assets	31			113
		(15,144)	Remeasurement of the Net Defined Benefit Liability	46			15,025
		(3)	Share of Other Income and Expenditure of Joint Operations	42			(8)
		(17,259)	**Other Comprehensive Income and Expenditure**				**12,925**
		(14,837)	**Total Comprehensive Income and Expenditure**				**18,969**

Movement in Reserves Statement

Reserves represent the authority's net worth and shows its spending power. This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance	Earmarked Reserves	**Total General Fund Balance**	Capital Receipts Reserve	Capital Grants Unapplied	Joint Operations Reserves	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
	£'000	£'000	**£'000**	£'000	£'000	£'000	**£'000**	£'000	**£'000**
Balance at 31 March 2015	**(6,047)**	**(10,748)**	**(16,795)**	**(35,659)**	**(266)**	**(597)**	**(53,317)**	**29,920**	**(23,397)**
Movement in reserves during 2015/16									
Total Comprehensive Income and Expenditure	2,422	0	**2,422**	0	0	(3)	**2,419**	(17,256)	**(14,837)**
Adjustments between accounting basis and funding basis under regulations (note 9)	(6,957)	0	**(6,957)**	670	(252)	0	**(6,539)**	6,539	**0**
Net Increase/Decrease before transfers to Earmarked Reserves	**(4,535)**	**0**	**(4,535)**	**670**	**(252)**	**(3)**	**(4,120)**	**(10,717)**	**(14,837)**
Transfers (to)/from Earmarked Reserves (Note 30)	2,315	(2,315)	**0**	0	0	0	**0**	0	**0**
(Increase)/Decrease in 2015/16	**(2,220)**	**(2,315)**	**(4,535)**	**670**	**(252)**	**(3)**	**(4,120)**	**(10,717)**	**(14,837)**
Balance at 31 March 2016	**(8,267)**	**(13,063)**	**(21,330)**	**(34,989)**	**(518)**	**(600)**	**(57,437)**	**19,203**	**(38,234)**
Movement in reserves during 2016/17									
Total Comprehensive Income and Expenditure	6,044	0	**6,044**	0	0	(8)	**6,036**	12,933	**18,969**
Adjustments between accounting basis and funding basis under regulations (note 9)	(4,569)	0	**(4,569)**	5,129	49	0	**609**	(609)	**0**
Net Increase/Decrease before transfers to Earmarked Reserves	**1,475**	**0**	**1,475**	**5,129**	**49**	**(8)**	**6,645**	**12,324**	**18,969**
Transfers (to)/from Earmarked Reserves (Note 30)	1,715	(1,715)	**0**	0	0	0	**0**	0	**0**
(Increase)/Decrease in 2016/17	**3,190**	**(1,715)**	**1,475**	**5,129**	**49**	**(8)**	**6,645**	**12,324**	**18,969**
Balance at 31 March 2017	**(5,077)**	**(14,778)**	**(19,855)**	**(29,860)**	**(469)**	**(608)**	**(50,792)**	**31,527**	**(19,265)**

Balance Sheet (Brackets represent liabilities)

The balance sheets is a 'snapshot' of the authority's financial position at a specific point in time, showing what it owns and owes at 31st March. The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are 'Usable Reserves' i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences in the Movement in Reserve Statement line 'adjustments between accounting basis and funding basis under regulations'.

As at 31 March 2016			As at 31 March 2017	
£'000			£'000	£'000
58,983	Property, Plant & Equipment	15	59,651	
127	Intangible Assets	19	73	
34	Assets Held for Sale	20	0	
600	Investment in Joint Operations		608	
1,748	Heritage Assets	21	1,763	
7,245	Long Term Investments	22	9,944	
538	Long Term Debtors	23	1,736	
69,275	**TOTAL LONG TERM ASSETS**			**73,775**
40,494	Short Term Investments	22	42,142	
98	Inventories		127	
8,660	Short Term Debtors	24	5,145	
547	Cash & Cash Equivalents	25	473	
49,799	**CURRENT ASSETS**			**47,887**
(6,768)	Short term Creditors	26	(10,084)	
(6,768)	**CURRENT LIABILITIES**			**(10,084)**
(2,069)	Provisions	28	(2,216)	
(3,222)	Developers Contributions Deferred	29	(3,336)	
(67)	Long Term Liabilities – Creditors	27	(157)	
(136)	Long Term Liabilities – Finance Lease	44	(133)	
(68,578)	Liability related to defined benefit pension scheme	46	(86,471)	
(74,072)	**LONG TERM LIABILITIES**			**(92,313)**
38,234	**NET ASSETS**			**19,265**
(56,837)	Usable Reserves	30		(50,184)
(600)	Usable Reserve – Share in Joint Operations	30		(608)
19,203	Unusable Reserves	31		31,527
(38,234)	**TOTAL RESERVES**			**(19,265)**

I confirm these accounts were approved by the Audit Committee at the meeting held on 27th July 2017.

Signed: Date:

Cllr Derek Yeomans, Chair of Audit Committee

These financial statements replace the unaudited financial statements certified by the S151 Officer on 1st June 2017.

Signed: Date:

S151 Officer

Cash Flow Statement (Brackets on this page represent income)

The Cash Flow Statement shows the changes in cash and cash equivalent of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

Year Ended 31 March 2016 £'000		Year Ended 31 March 2017 £'000
(2,422)	Net surplus/(deficit) on the provision of services	**(6,044)**
5,593	Adjustments to net surplus or deficit on the provision of services for non-cash movements (note 33)	**8,681**
(2,392)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (note 33)	**(3,525)**
779	**Net cash flows from operating activities**	**(888)**
(1,027)	Investing Activities (note 34)	**(4,210)**
(2,011)	Financing Activities (note 35)	**5,024**
(2,259)	**Net increase or decrease in cash and cash equivalents**	**(74)**
2,806	Cash and Cash Equivalents (including bank overdraft) at 1 April (note 25)	**547**
547	**Cash and Cash Equivalents at 31 March (note 25)**	**473**

Notes to the Core Financial Statements

1. Prior Period Restatements

Restatement of Comprehensive Income and Expenditure Statement:

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

SERCOP Service Line	As reported in the CIES 2015/16	Adjustments between SERCOP classifications and internal reporting classifications	As Restated	Directorate
	£'000	£'000	£'000	
Support Services	0	7,675	548	Strategic Management & Transformation
			3,288	Finance & Corporate Services
			1,528	Legal & Corporate Services
			282	Economy
			116	Policy & Performance
			615	Communities
			1,213	Environment
			85	Health & Wellbeing
Central services to the public	3,530	(1,074)	1,614	Finance & Corporate Services
			505	Legal & Corporate Services
			(1)	Economy
			184	Communities
			167	Environment
			(13)	Health & Wellbeing
Cultural and Related Services	8,010	(1,025)	34	Legal & Corporate Services
			252	Economy
			1,695	Environment
			5,004	Health & Wellbeing
Environment and Regulatory Services	10,579	(860)	9,720	Environment
Planning Services	6,098	(1,705)	2,622	Economy
			783	Communities
			672	Environment
			315	Health & Wellbeing
Highways, roads and transport services	1,881	(179)	41	Economy
			68	Communities
			1,593	Environment
Other Housing services	48,660	(1,036)	46,014	Finance & Corporate Services
			40	Legal & Corporate Services
			279	Economy
			49	Environment
			1,242	Health & Wellbeing
Corporate and democratic core	2,040	(1,796)	244	Finance & Corporate Services
Non distributed costs	236	0	236	Finance & Corporate Services
Gross Expenditure	**81,034**	**0**	**81,034**	

SERCOP Service Line	As reported in the CIES 2015/16	Adjustments between SERCOP classifications and internal reporting classifications	As Restated	Directorate
	£'000	£'000	£'000	
Support Services	0	(84)	62 (136) (10)	Finance & Corporate Services Economy Environment
Central services to the public	(1,605)	0	(856) (644) (105)	Finance & Corporate Services Legal & Corporate Services Environment
Cultural and Related Services	(3,966)	0	(7) (77) (1,229) (2,653)	Legal & Corporate Services Economy Environment Health & Wellbeing
Environment and Regulatory Services	(2,675)	0	(2,675)	Environment
Planning Services	(2,651)	146	(1,718) (148) (634) (5)	Economy Communities Environment Health & Wellbeing
Highways, roads and transport services	(2,542)	0	(69) (2,473)	Communities Environment
Other Housing services	(46,185)	0	(46,510) (23) 536 (188)	Finance & Corporate Services Economy Environment Health & Wellbeing
Corporate and democratic core	(51)	(62)	(113)	Finance & Corporate Services
Non distributed costs	0	0	0	
Gross Income	**(59,675)**	**0**	**(59,675)**	

SERCOP Service Line	As reported in the CIES 2015/16	As Restated	Directorate
	£'000	£'000	
Support services to the public	0	548	Strategic Management & Transformation
		3,350	Finance & Corporate Services
		1,528	Legal & Corporate Services
		146	Economy
		116	Policy & Performance
		615	Communities
		1,203	Environment
		85	Health & Wellbeing
Central services to the public	1,925	758	Finance & Corporate Services
		(139)	Legal & Corporate Services
		(1)	Economy
		184	Communities
		62	Environment
		(13)	Health & Wellbeing
Cultural and Related Services	4,044	27	Legal & Corporate Services
		175	Economy
		466	Environment
		2,351	Health & Wellbeing
Environment and Regulatory Services	7,904	7,045	Environment
Planning Services	3,447	904	Economy
		635	Communities
		38	Environment
		310	Health & Wellbeing
Highways, roads and transport services	(661)	41	Economy
		(1)	Communities
		(880)	Environment
Other Housing services	2,475	(496)	Finance & Corporate Services
		40	Legal & Corporate Services
		256	Economy
		585	Environment
		1,054	Health & Wellbeing
Corporate and democratic core	1,989	131	Finance & Corporate Services
Non distributed costs	236	236	Finance & Corporate Services
Net Cost of Services	**21,359**	**21,359**	

2. Accounting standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2017/18 Code:

The Legislative changes affecting Local authorities from 2017/18 will require local authorities to publish their audited statement of accounts by the end of July 2018. Prior to this, the period for the exercise of public rights must include the first 10 working days of June, the authority must publish the unaudited statement of accounts by the end of May 2018.

3. Critical Judgements in applying accounting policies

In applying the accounting policies, 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:

- Whether a lease is an operating or a finance lease

  The Council will account for leases as finance leases where substantially all the risks and rewards are incidental to ownership of the leased asset life with the Council. The asset is recorded as Property, Plant and Equipment and a corresponding liability is recorded. The finance leases recorded in the Statement of Accounts are due to the fact that:

- The lease term is for the major part of the economic life of the asset
- The present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.

- Whether land and buildings owned by the Council are investment properties

  Since investment properties are properties held solely to earn rentals or for capital appreciation or both, properties that earn rentals as an outcome of a regeneration project will be accounted for as Property, Plant and Equipment rather than investment property. Social Housing is delivering a service and will also be accounted for as Property, Plant and Equipment.

- Whether short-term investments are cash equivalents

  Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Council will include deposits in Money Market Funds and Business Reserves as Cash Equivalents.

- Whether to componentise non-current assets

  As components of non-current assets do not always have the same useful lives and may depreciate or wear out at different rates throughout their life it is appropriate to depreciate each significant component separately over its useful life. Components will be recognised when a significant asset (i.e. assets where the cost or value is at least £500,000) is enhanced, acquired or re-valued.

- Whether to recategorise non-current assets to Heritage Assets

  Assets had to be assessed to ascertain whether they fell into the criteria for Heritage Assets. Assets are deemed Heritage Assets if they are held for historical, artistic, scientific, technological, geophysical or environmental quality that are held and maintained principally for its contribution to knowledge and culture.

- Whether insurance valuations are used rather than professional valuations for Heritage Assets

  Insurance valuations are considered appropriate for Heritage Assets, these are provided annually in June by the Heritage Team based on their knowledge and research of the current auction price. The potential costs of professional valuations are of no benefit since such assets will never be sold, and only used if lost, stolen or broken.

- Whether Lufton 2000 is a joint venture or a joint operation

  Lufton 2000 is a joint operation since there is joint control of decisions about the relevant activities of the arrangement. Therefore there is not a requirement to produce group accounts.

- Whether Property, Plant and Equipment requires valuation every year

  Property, Plant and Equipment is valued on a 5 year rolling programme due to the asset base being too large and costly to revalue every year. Assets that benefit from large expenditure during the financial year are revalued outside of the 5 year rolling programme. The Council seeks advice for the District Valuer as to his professional opinion on the changing values of assets and whether these are material.

- Whether to make provisions for Appeals on Business Rates

  The Council has calculated an estimate of expenditure required to settle the present obligation based on appeals submitted by ratepayers. The estimate is based on probabilities and historical experience.

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 into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

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

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings, infrastructure and Vehicles, Plant and Equipment would increase by £144k for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £432k.
Business Rates Appeals	The Authority has recognised a provision for outstanding Business Rates appeals of £1.908m. This provision is calculated using information provided by the Valuation Office and using experience of previous success rates.	If Business Rates appeals success rates were underestimated by 10%, the liability would increase by £191k.
Arrears	At 31 March 2017, the Authority had a balance for sundry debtors of £2.579m. A review of significant balances suggested that an impairment of doubtful debts of £801k was appropriate. However, in the current 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 £854k to set be set aside as an allowance.

5. Material items of income and expenditure

There were no material items of income and expenditure during 2016/17.

6. Events after the balance sheet date

The Statement of Accounts was authorised for issue by the S151 Officer on 27th July 2017. Events taking place after this date are not reflected in the financial statements or notes.

7. Expenditure & Funding Analysis

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

2015/16				2016/17		
Net Expenditure Chargeable to the General Fund £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income & Expenditure Statement £'000	Service	Net Expenditure Chargeable to the General Fund £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income & Expenditure Statement £'000
515	33	549	Strategic Management & Transformation	600	932	1,532
3,306	672	3,979	Finance & Corporate Services	3,590	1,225	4,815
1,437	19	1,456	Legal & Corporate Services	1,364	(14)	1,350
1,229	293	1,521	Economy	1,349	1,265	2,614
107	9	116	Policy & Performance	109	1	110
1,341	92	1,433	Communities	1,355	239	1,594
6,876	1,644	8,519	Environment	6,597	2,316	8,913
2,168	1,619	3,787	Health & Wellbeing	2,427	4,103	6,530
16,979	**4,381**	**21,360**	**Net Cost of Services**	**17,391**	**10,067**	**27,458**
(21,515)	**2,576**	**(18,937)**	Other Income and Expenditure	**(15,917)**	**(5,497)**	**(21,414)**
(4,536)	**6,957**	**2,423**	**Surplus or Deficit**	**1,474**	**4,570**	**6,044**
16,795			Opening General Fund Balance	**21,331**		
0			Less deficit on General Fund	**1,474**		
4,536			Add Surplus on General Fund	**0**		
21,331			**Closing General Fund Balance at 31 March**	**19,857**		

Notes to the expenditure and funding analysis

Adjustments between Funding and Accounting Basis 2016/17				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	**Adjustments for Capital Purposes (Note 1)**	**Net change for the Pensions Adjustments (Note 2)**	**Other Differences (Note 3)**	**Total Adjustments**
	£'000	**£'000**	**£'000**	**£'000**
Strategic Management & Transformation	(1)	9	924	**932**
Finance & Corporate Services	277	47	902	**1,226**
Legal & Corporate Services	(1)	13	(26)	**(14)**
Economy	1,497	31	(263)	**1,265**
Policy & Performance	0	1	(1)	**0**
Communities	244	14	(19)	**239**
Environment	2,465	52	(201)	**2,316**
Health & Wellbeing	4,178	27	(102)	**4,103**
Net Cost of Services	**8,659**	**194**	**1,214**	**10,067**
Other income and expenditure from the Expenditure and Funding Analysis	**(3,286)**	**2,674**	**(4,885)**	**(5,497)**
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**5,373**	**2,868**	**(3,671)**	**4,570**

Adjustments between Funding and Accounting Basis 2015/16				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	**Adjustments for Capital Purposes (Note 1)**	**Net change for the Pensions Adjustments (Note 2)**	**Other Differences (Note 3)**	**Total Adjustments**
	£'000	**£'000**	**£'000**	**£'000**
Strategic Management & Transformation	(1)	28	5	32
Finance & Corporate Services	(51)	196	529	674
Legal & Corporate Services	(2)	58	(37)	19
Economy	148	137	8	293
Policy & Performance	0	6	2	8
Communities	102	62	(72)	92
Environment	1,520	215	(91)	1,644
Health & Wellbeing	1,376	110	133	1,619
Net Cost of Services	**3,092**	**812**	**477**	**4,381**
Other income and expenditure from the Expenditure and Funding Analysis	**(2,236)**	**2,608**	**2,204**	**2,576**
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**856**	**3,420**	**2,681**	**6,957**

Note 1: Adjustments for Capital Purposes
Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets
- **Financing and investment income and expenditure** – the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Note 2: Net change for the Pensions Adjustments
Net change for the removal of pension contributions and the addition of IAS19 *Employee Benefits* pension related expenditure and income:

- **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For **Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

Note 3: Other Differences
Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

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

Segmental Income

	2015/16		2016/17	
	Revenues from external customers	Revenues from external customers	Grants & Contributions	Grants & Contributions
	£'000	£'000	£'000	£'000
Strategic Management & Transformation	0	0	15	0
Finance & Corporate Services	891	426	44,019	48,348
Legal & Corporate Services	578	502	70	186
Economy	1,765	1,665	332	129
Policy & Performance	0	0	0	0
Communities	69	60	165	204
Environment	7,146	6,799	1,547	1,005
Health & Wellbeing	2,830	3,274	1,304	801
Total income analysed on a segmental basis	**13,279**	**12,726**	**47,452**	**50,673**

8. Expenditure and Income analysed by nature

	2015/16	2016/17
Expenditure/Income	**£'000**	**£'000**
Expenditure		
Employee benefits expenses	16,252	17,066
Other services expenses	65,135	66,755
Depreciation, amortisation, impairment	2,310	3,705
Interest Payments	21	17
Precepts and levies	4,529	4,842
Payments to housing capital receipts pool	7	5
Loss on the disposal of assets	11	0
Total Expenditure	**88,265**	**92,390**
Income		
Fees, charges and other service income	(60,673)	(58,485)
(Gain) on the disposal of assets	0	(43)
Interest and investment income	(594)	(630)
Income from council tax and NDR	(16,483)	(18,531)
Government grants and contributions	(8,093)	(8,657)
Total Income	**(85,843)**	**(86,346)**
Surplus or Deficit on the Provision of Services	**2,422**	**6,044**

9. Adjustments between accounting basis and funding basis under regulations

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

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

General Fund Balance
The General Fund is the statutory fund into which all the receipts of a 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 the year-end.

Capital Grants Unapplied
The Capital Grants Unapplied Account 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.

2016/17	**Movement in Usable Reserves**			
	General Fund Balance	**Capital Receipts Reserves**	**Capital Grants Unapplied**	**Movement in Unusable Reserves**
	£'000	**£'000**	**£'000**	**£'000**
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for depreciation, amortisation and impairment of non-current assets	(1,846)	0	0	**1,846**
Revaluation losses on Property, Plant and Equipment	(1,859)	0	0	**1,859**
Capital grants and contributions applied	1,942	0	192	**(2,134)**
Capital grants and contributions unapplied	143	0	(143)	**0**
Revenue expenditure funded from capital under statute	(5,238)	0	0	**5,238**
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	1,223	0	0	**(1,223)**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of capital investment	113	0	0	**(113)**
Capital expenditure charged against the capital fund	155	0	0	**(155)**
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure	0	(1,465)	0	**1,465**
Transfer from the Deferred Capital Receipts reserve to the Capital Receipts Reserve upon receipt of cash	0	6,589	0	**(6,589)**
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(5)	5	0	**0**
Adjustments involving the Financial Instruments Adjustments Accounts:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(15)	0	0	**15**
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 46)	(5,711)	0	0	**5,711**
Employer's pensions contributions and direct payments to pensioners payable in the year	2,843	0	0	**(2,843)**
Adjustments involving the Collection Fund Adjustments Account:				
Amount by which council tax income and non-domestic rates credited to the Comprehensive Income and Expenditure Statement is different from council tax income and non-domestic rates calculated for the year in accordance with statutory requirements	3,683	0	0	**(3,683)**
Adjustment involving the Accumulating Compensated Absences Adjustment Accounts				
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	4	0	0	**(4)**
TOTAL ADJUSTMENTS	**(4,568)**	**5,129**	**49**	**(610)**

2015/16 Comparative figures	Movement in Usable Reserves			
	General Fund Balance	Capital Receipts Reserves	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for depreciation, amortisation and impairment of non-current assets	(1,971)	0	0	**1,971**
Revaluation losses on Property, Plant and Equipment	(339)	0	0	**339**
Capital grants and contributions applied	992	0	34	**(1,026)**
Capital grants and contributions unapplied	286	0	(286)	**0**
Revenue expenditure funded from capital under statute	(1,397)	0	0	**1,397**
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	984	0	0	**(984)**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of capital investment	169	0	0	**(169)**
Capital expenditure charged against the capital fund	426	0	0	**(426)**
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure	0	(1,141)	0	**1,141**
Transfer from the Deferred Capital Receipts reserve to the Capital Receipts Reserve upon receipt of cash		1,804		**(1,804)**
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(7)	7	0	**0**
Adjustments involving the Financial Instruments Adjustments Accounts:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	12	0	0	**(12)**
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 46)	(5,976)	0	0	**5,976**
Employer's pensions contributions and direct payments to pensioners payable in the year	2,556	0	0	**(2,556)**
Adjustments involving the Collection Fund Adjustments Account:				
Amount by which council tax income and non-domestic rates credited to the Comprehensive Income and Expenditure Statement is different from council tax income and non-domestic rates calculated for the year in accordance with statutory requirements	(2,709)	0	0	**2,709**
Adjustment involving the Accumulating Compensated Absences Adjustment Accounts				
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	16	0	0	**(16)**
TOTAL ADJUSTMENTS	**(6,958)**	**670**	**(252)**	**6,540**

10. Other operating income and expenditure

Previous year 2015/16 £'000		Current year 2016/17 £'000
4,529	Parish council precepts and levies	4,842
7	Payments to the Government housing Capital Receipts Pool	5
4,536	**Total Other Operating Expenditure**	**4,847**
(997)	Easements and other Capital Receipts (Note 11)	(1,180)
3,539	**Total Other Operating Income and Expenditure**	**3,667**

11. Easements and other capital receipts

The Council received £966k in Right to Buy receipts (compared to £927k in 2015/16) and a further £214k in other capital receipts (£70k in 2015/16)

12. Net gain/loss on disposal of plant, property and equipment

The net gain on disposal of plant, property and equipment amounts to £43k (compared to a net loss of £11k in 2015/16)

13. Financing and investment income and expenditure

Previous year 2015/16 £'000		Current year 2016/17 £'000
21	Interest Payable and similar charges	17
2,608	Net interest on the net defined benefit liability	2,674
53	(Surplus)/Deficit on Trading Undertaking (Note 36)	89
2,682	**Total Financing and Investment Expenditure**	**2,780**
(594)	Interest receivable and similar income	(630)
2,088	**Total Financing and Investment Income and Expenditure**	**2,150**

14. Taxation and non-specific grant income

Previous year 2015/16 £'000		Current year 2016/17 £'000
(12,770)	Council tax income	(13,477)
(3,713)	Non domestic rates	(5,054)
(8,093)	Non-ringfenced government grants	(8,657)
(24,576)	**Total Taxation and Non Specific Grant Income**	**(27,188)**

15. Property, plant and equipment

Movement in 2016/17:

	Total Land & Buildings £'000	Furniture, Vehicles, Plant & Equipment £'000	Infra-structure Assets £'000	Com-munity Assets £'000	Surplus Assets £'000	Total Property Plant & Equipment £'000
Cost or Valuation						
As at 1 April 2016	56,143	4,779	953	694	60	**62,629**
Adjustments from previous year						
Additions	1,030	1,009	143			**2,182**
Disposals	(30)	(390)				**(420)**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,054	136				**2,190**
Revaluation Increases/(decreases) recognised in the surplus/deficit on the Provision of Services	(2,975)	(1,314)			(60)	**(4,349)**
Impairment (losses)/reversals recognised in the surplus/deficit on the provision of services	192	1				**193**
Reclassification - Other	33	(33)				**0**
As at 31 March 2017	**56,447**	**4,188**	**1,096**	**694**	**0**	**62,425**
Accumulated Depreciation						
As at 1 April 2016	(1,707)	(1,852)	(88)	0	(1)	**(3,648)**
Adjustment from previous year						
Depreciation charge	(1,323)	(453)	(16)			**(1,792)**
Depreciation written out to the Revaluation Reserve						

	Total Land & Buildings £'000	Furniture, Vehicles, Plant & Equipment £'000	Infra-structure Assets £'000	Com-munity Assets £'000	Surplus Assets £'000	Total Property Plant & Equipment £'000
Depreciation written out to the surplus/deficit on the Provision of Services	1,288	1,010			1	**2,299**
Impairment (losses)/reversals recognised in the surplus/deficit on the Provision of Services	1	367				**368**
Derecognition – Disposals						
Derecognition - Reclassification	(4)	4				**0**
As at 31 March 2017	**(1,745)**	**(924)**	**(104)**	**0**	**0**	**(2,773)**
Net Book Value						
At 31 March 2017	**54,702**	**3,264**	**992**	**694**	**0**	**59,652**
At 31 March 2016	**54,436**	**2,927**	**865**	**694**	**59**	**58,981**

Comparative movements in 2015/16

	Total Land & Buildings £'000	Furniture, Vehicles, Plant & Equipment £'000	Infra-structure Assets £'000	Com-munity Assets £'000	Surplus Assets £'000	Total Property Plant & Equipment £'000
Cost or Valuation						
As at 1 April 2015	55,266	5,812	827	694	60	**62,659**
Adjustments from previous year						
Additions	1,005	550	126			**1,681**
Disposals		(287)				**(287)**
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	1,987	24				**2,011**
Revaluation Increases/(decreases) recognised in the surplus/deficit on the Provision of Services	(2,985)	(1,113)				**(4,098)**
Provision of Services	688	10				**698**
Impairment (losses)/reversals recognised in the surplus/deficit on the provision of services	182	(217)				**(35)**
Reclassification - Other						
As at 31 March 2016	**56,143**	**4,779**	**953**	**694**	**60**	**62,629**
Accumulated Depreciation						
As at 1 April 2015	(2,707)	(2,247)	(74)	0	(1)	**(5,029)**
Adjustment from previous year						
Depreciation charge	(1,243)	(655)	(14)			**(1,912)**
Depreciation written out to the Revaluation Reserve						
Depreciation written out to the surplus/deficit on the Provision of Services	2,293	765				**3,058**
Impairment (losses)/reversals recognised in the surplus/deficit on the Provision of Services						
Derecognition – Disposals		234				**234**
Derecognition - Reclassification	(50)	51				**1**
As at 31 March 2016	**(1,707)**	**(1,852)**	**(88)**	**0**	**(1)**	**(3,648)**
Net Book Value						
At 31 March 2016	**54,436**	**2,927**	**865**	**694**	**59**	**58,981**
At 31 March 2015	**52,559**	**3,565**	**753**	**694**	**59**	**57,630**

16. Property, Plant and Equipment valuation

All property, plant and equipment owned by South Somerset District Council have been valued on a five year rolling programme by an external independent valuer. This year the external independent valuer was

Hannah Plowman, MRICS, District Valuer – in accordance with the Statements of Asset Valuation Practice and Guidance Notes of The Royal Institute of Chartered Surveyors. Not all assets are inspected each year as this is neither practicable nor considered by the valuer to be necessary for the purposes of the valuation. The basis of valuation is as set out in the Statement of Accounting Policies. The effective date of revaluation is 31st December 2016.

The Council has been given assurance by the external independent valuer that the carrying value of assets not revalued within year is not materially different to the fair value of the assets.

The following table shows the progress of the rolling programme:

	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Total £'000
Valued at historical cost	0	0	992	694	**1,686**
Valued at current value at:					
1st April 2012	0	0			**0**
1st April 2013	0	20			**20**
1st April 2014	2,016	167			**2,183**
31st December 2015	8,660	1,426			**10,086**
31st December 2016	44,026	1,651			**45,677**
Total	**54,702**	**3,264**	**992**	**694**	**59,652**

17. Capital commitments

There were no significant capital contracts that South Somerset District Council had entered into as at the 31 March 2017.

18. Construction contracts

At 31 March 2017 the Council had no construction contracts in progress.

19. 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 software. 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. Software assets are assigned useful lives of between 3 and 5 years.

The movement on Intangible Asset balances during the year is as follows:

	31 March 2016 £'000	31 March 2017 £'000
Balance at start of year:		
• Gross carrying amounts	571	283
• Accumulated amortization	(434)	(156)
Net carrying amount at start of year	**137**	**127**
Additions	50	0
Disposals	(46)	0
Amortisation for the period	(60)	(53)
Amortisation on disposal	46	0
Net Carrying amount at end of year	**127**	**74**
Comprising:		
• Gross carrying amounts	283	283
• Accumulated amortization	(156)	(209)
Total Intangible Assets	**127**	**74**

20. Assets Held for Sale

31 March 2016 £'000		31 March 2017 £'000
0	Balance at start of year	34
34	Reclassification	0
0	Revaluations/(Impairments)	0
0	Assets Sold	(34)
34	**Total Assets Held for Sale**	**0**

21. Heritage Assets

31 March 2016 £'000		31 March 2017 £'000
1,743	Balance at start of year	1,748
5	Revaluations/(Impairments)	15
1,748	**Total Heritage Assets**	**1,763**

22. Long and short term investments

The investments as at 31 March 2017 consist of:

31 March 2016 £'000		31 March 2017 £'000
	Long Term Investments	
7,244	Bonds, Certificates of Deposit and Pooled Funds	6,944
0	Term Deposits >1 year to maturity	3,000
7,244	**Total Long Term Investments**	**9,944**
	Short Term Investments	
20,493	Bonds, Certificates of Deposit and Pooled Funds	22,142
20,000	Term Deposits <1 year to maturity	20,000
40,493	**Total Short Term Investments**	**42,142**
47,737	**Total Investments**	**52,086**

23. Long term debtors

Debtors which fall due after a period of at least one year, consist of:

31 March 2016 £'000		31 March 2017 £'000
182	Loans agreed by SSDC	1,391
14	Mortgages	11
284	Rights to receipts – long term lease	291
58	Car/bike/learning loans	44
538	**Total Long Term Debtors**	**1,737**

Further information relating to long term debtors is contained within Note 32 on Financial Instruments.

24. Short term debtors

31 March 2016 £'000		31 March 2017 £'000
3,320	Central Government Bodies	186
529	Other Local Authorities	288
56	NHS Bodies	1
0	Public Corporations and Trading Funds	0
4,754	Other Entities and Individuals	4,670
8,659	**Total Short Term Debtors**	**5,145**

25. Cash and cash equivalents

Cash and cash equivalents are investments which are readily convertible (within 24 hours) and are subject to an insignificant risk of changes in value. The balance of Cash and cash equivalents is made up of the following elements:

31 March 2016 £'000		31 March 2017 £'000
8	Cash held by the Authority	11
(951)	Bank current accounts	(539)
1,490	Short-term deposits with Business Reserve accounts and Money Market Funds	1,000
547	**Total Cash and Cash Equivalents**	**472**

26. Short-term creditors

31 March 2016 £'000		31 March 2017 £'000
(244)	Central Government Bodies	(3,712)
(3,678)	Other Local Authorities	(681)
(2,847)	Other Entities and Individuals	(5,691)
(6,769)	**Total Short Term Creditors**	**(10,084)**

27. Long term liabilities – creditors

31 March 2016 £'000		31 March 2017 £'000
(67)	Other Entities and Individuals	(157)
(67)	**Total Long term Liabilities - Creditors**	**(157)**

The long term liabilities – creditors relates to garden waste income for 2018/19 which was paid in advance.

28. Provisions

31 March 2016 £'000		31 March 2017 £'000
(1,993)	Business Rates Provisions for Appeals	(1,908)
(76)	MMI Provision	(88)
0	Redundancy Provisions	(221)
(2,069)	**Total Provisions**	**(2,217)**

29. Developers contribution deferred

31 March 2016 £'000		31 March 2017 £'000
(2,292)	Balance at start of year	(3,222)
(1,610)	Additional Deposits	(944)
680	Applied Deposits	830
(3,222)	**Total Developers Contribution Deferred**	**(3,336)**

Deposits received from developers will be spent over the next few years as the individual schemes progress.

30. Usable reserves

31 March 2016 £'000		31 March 2017 £'000
(8,267)	General Fund Balance	(5,077)
(13,063)	Earmarked Reserves	(14,778)
(34,989)	Capital Receipts Reserve	(29,857)
(518)	Capital Grants Unapplied	(469)
(600)	Authority's share of Joint Operation	(608)
(57,437)	**Total Usable Reserves**	**(50,789)**

Capital Receipts Reserve

31 March 2016 £'000		31 March 2017 £'000
(35,659)	Balance of Usable Receipts at 1 April	(34,989)
(1,141)	Receipts from Sale of Assets	(1,462)
1,804	Receipts applied to finance Capital Expenditure	6,589
7	Amount payable to the housing capital receipt pool	5
(34,989)	**Total Capital Receipts Reserve**	**(29,857)**

The capital receipts reserve holds the proceeds from the sale of capital assets and is used for financing capital expenditure.

Capital Grants Unapplied

31 March 2016 £'000		31 March 2017 £'000
(266)	Balance at start of year	(518)
(286)	Additional Capital Grants recognised through the Comprehensive Income and Expenditure Statement	(143)
34	Applied Deposits	192
(518)	**Total Capital Grants Unapplied**	**(469)**

The capital grants unapplied reserve holds any capital grant received but not yet spent.

Transfers to/from earmarked reserves

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

	Balance as at 31 March 2015 £'000	Trans-fers in 2015/16 £'000	Trans-fers out 2015/16 £'000	Balance as at 31 March 2016 £'000	Trans-fers in 2016/17 £'000	Trans-fers out 2016/17 £'000	Balance as at 31 March 2017 £'000
Capital Fund	(1,392)	(90)	427	(1,055)	(345)	155	(1,245)
Internal Borrowing Repayments	0	0	0	0	(23)	0	(23)
Cremator Replacement Reserve	(663)	0	0	(663)	0	12	(651)
Elections Reserve	(256)	(34)	165	(125)	(49)	25	(149)
Risk Management Reserve	(11)	0	0	(11)	0	0	(11)
Wincanton Sports Centre Reserve	(21)	0	0	(21)	0	0	(21)
Yeovil Athletics Track Repairs	(99)	(19)	0	(118)	(19)	12	(125)
Local Plan Inquiry Reserve	(50)	(31)	0	(81)	(16)	26	(71)
Planning Delivery Reserve	(26)	0	0	(26)	0	0	(26)
Save to Earn Reserve	(50)	0	0	(50)	0	50	0
Bristol to Weymouth Rail Reserve	(12)	(4)	0	(16)	0	5	(11)
Local Authority Business Growth Initiative Reserve	(37)	0	0	(37)	0	10	(27)
Yeovil Vision Reserve	(100)	(10)	0	(110)	(10)	0	(120)
IT Replacement Reserve	0	0	0	0	(17)	0	(17)
Voluntary Redundancy/ Transformation Fund	(395)	(17)	0	(412)	(1,359)	988	(783)
Insurance Fund	(47)	(6)	0	(53)	0	0	(53)
Treasury Management Reserve	(247)	0	0	(247)	0	147	(100)
Revenue Grant Reserve	(641)	(485)	444	(682)	(160)	169	(673)
Local Plan Implementation	(125)	0	0	(125)	0	0	(125)
Housing Benefits Reserve	(827)	(317)	39	(1,105)	(228)	657	(676)
Closed Churchyards Reserve	(10)	(14)	14	(10)	(2)	9	(3)
Deposit Guarantee Claims Reserve	(6)	(3)	0	(9)	0	2	(7)
Park Homes Replacement Reserve	(134)	(30)	0	(164)	0	0	(164)
MTFP Support Fund	(3,651)	(1,307)	0	(4,958)	(1,666)	0	(6,624)
Car Park Income	(5)	0	5	0	0	0	0
Health Inequalities	(32)	0	0	(32)	0	0	(32)

	Balance as at 31 March 2015 £'000	Trans-fers in 2015/16 £'000	Trans-fers out 2015/16 £'000	Balance as at 31 March 2016 £'000	Trans-fers in 2016/17 £'000	Trans-fers out 2016/17 £'000	Balance as at 31 March 2017 £'000
Planning Obligations Admin Reserve	(42)	(2)	9	(35)	0	0	(35)
Local Strategic Partnership Reserve	(76)	(21)	7	(90)	(17)	84	(23)
Artificial Grass Pitch Reserve	(42)	(20)	0	(62)	(23)	0	(85)
Business Support Scheme	(171)	0	6	(165)	0	7	(158)
Flooding Reserve	(85)	0	5	(80)	0	80	0
Infrastructure Reserve	(995)	0	33	(962)	0	30	(932)
NNDR Volatility Reserve	(500)	(959)	0	(1,459)	(1,608)	1,758	(1,309)
Ticket Levy Income	0	(4)	0	(4)	(95)	93	(6)
Waste Reserve	0	(96)	0	(96)	(230)	96	(230)
Community Housing Fund	0	0	0	0	(263)	0	(263)
Total Reserves	**(10,748)**	**(3,469)**	**1,154**	**(13,063)**	**(6,130)**	**4,415**	**(14,778)**

31. Unusable reserves

31 March 2016 £'000		31 March 2017 £'000
(19,992)	Revaluation Reserve	(21,689)
(507)	Available for Sale Financial Instruments Reserve	(394)
(31,693)	Capital Adjustment Account	(32,016)
(309)	Deferred Capital Receipts	(300)
(30)	Financial Instruments Adjustment Account	(15)
68,578	Pensions Reserve	86,471
2,903	Collection Fund Adjustment Account	(780)
253	Accumulating Compensated Absences Adjustment Account	250
19,203	**Total Unusable Reserves**	**31,527**

Revaluation Reserve

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

31 March 2016 £'000		31 March 2017 £'000
(18,421)	Balance at start of year	(19,992)
(2,844)	Revaluation gains on non-current assets	(3,269)
834	Downward revaluation on non-current assets	1,064
8	Disposals of non-current assets	10
431	Current value depreciation transferred to Capital Adjustment Account	498
(19,992)	**Total Revaluation Reserve**	**(21,689)**

Available-for-Sale Financial Instruments Reserve

The Available-for-Sale Financial Instruments Reserve holds the gains and losses arising from the policy of carrying Available-for Sale Financial Instruments at fair value.

31 March 2016 £'000		31 March 2017 £'000
(406)	Balance at start of year	(507)
0	Loss on derecognition/maturity	0
(101)	Revaluation gains/(losses) on available for sale financial instruments reserve	113
(507)	**Total Available-for Sale Financial Instruments Reserve**	**(394)**

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 amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling posting from the Revaluation Reserve to convert fair value figures to a historical cost 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 contains accumulated gains and losses on Investment Properties. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

31 March 2016			31 March 2017	
£'000	**£'000**		**£'000**	**£'000**
	(31,681)	**Balance at start of year**		**(31,693)**
(1,804)		Capital Expenditure financed from Capital Receipts	(6,589)	
(431)		Current value depreciation transferred from Revaluation Reserve	(498)	
(169)		Minimum Revenue Provision	(113)	
(427)		Revenue Contribution to capital	(155)	
(1,026)		Capital Grants and Contributions Applied	(2,134)	
	(3,857)			**(9,489)**
		Less:		
1,397		Write down of Revenue Expenditure funded from Capital under Statute	5,238	
47		Carrying amount of assets disposed	145	
1,971		Depreciation	1,846	
339		Impairment	1,790	
91		Repayment of Capital Loans	146	
	3,845			**9,165**
	(31,693)	**Total Capital Adjustment Accounts**		**(32,017)**

Deferred Credits Account

31 March 2016 £'000		31 March 2017 £'000
(320)	Balance at start of year	(309)
14	Repayment of mortgages on sale of Council Houses	6
0	Transfer to Capital Receipts Reserve	0
(3)	Right to Receipts – St Johns Ambulance	3
(309)	**Total Deferred Credits**	**(300)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account holds the accumulated difference between the financing costs included in the Comprehensive Income and Expenditure Statement and the accumulated financing costs required in accordance with regulations to be charged to the General Fund Balance

31 March 2016 £'000		31 March 2017 £'000
(34)	Balance at start of year	(29)
(10)	Change in Accounting Policy – adjustment regarding soft loans	0
15	Discount on early repayment of loan	15
(29)	**Total Financial Instruments Adjustment Account**	**(14)**

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 employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority 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.

31 March 2016 £'000		31 March 2017 £'000
80,302	Balance at start of year	68,578
(15,144)	Remeasurement of the net defined benefit liability	15,025
5,976	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provisions of Services in the Comprehensive Income and Expenditure Statement	5,711
(2,556)	Employer's pensions contributions and direct payments to pensioners payable in year	(2,843)
68,578	**Total Pensions Reserve**	**86,471**

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 tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

31 March 2016 £'000		31 March 2017 £'000
194	Balance at start of year	2,903
27	Collection Fund Adjustment in year for Council Tax	182
2,682	Collection Fund Adjustment in year for non-domestic rates	(3,865)
2,903	**Total Collection Fund Adjustment Account**	**(780)**

Accumulating Compensated Absences Adjustment Account

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

31 March 2016			31 March 2017	
£'000	£'000		£'000	£'000
	269	**Balance at start of year**		**253**
(269)		Settlement or cancellation of accrual made at the end of preceding year	(253)	
253		Amounts accrued at the end of the current year	250	
	(16)	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		(3)
	253	**Total Accumulating Compensated Absences Adjustment Account**		**250**

32. Financial Instruments

The Authority's accounting policies relating to financial instruments are in accordance with the 2016/17 Code of Practice on Local Authority Accounting.

Financial Instruments Balances

The financial assets and financial liabilities are made up of the following categories of financial instruments.

31 March 2016			31 March 2017	
Long Term £'000	**Current £'000**		**Long Term £'000**	**Current £'000**
		Investments		
538	20,071	Loans & Receivables	4,728	20,263
7,244	20,493	Available-for-sale financial assets	6,944	22,142
7,782	**40,564**	**Total Investment**	**11,672**	**42,405**
		Debtors		
	616	Loans and Receivables		2,002
	616	**Total Debtors**		**2,002**
		Financial Liabilities at amortised cost		
(67)	(2,806)	Trade Creditors	157	3,580
	(110)	Capital Creditors		356
(136)	(94)	Finance Lease	133	94
(203)	**(3,010)**	**Total Financial Liabilities at amortised cost**	**290**	**4,030**

Financial Instruments Gains/Losses

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

31 March 2017	Financial Liabilities	Financial Assets		Total
	Liabilities measured at amortised cost £'000	Loans and Receivables £'000	Available for sale assets £'000	£'000
Interest expense	17			
Losses on derecognition				
Interest Payable and similar charges	**17**			**17**
Interest income		209	420	
Gains on derecognition				
Interest and investment income		**209**	**420**	**629**
Gains on revaluation			(41)	
Losses on revaluation			154	
(Surplus)/Deficit arising on revaluation of financial assets			**113**	
Total Net (Gain)/Loss for the year	**17**	**(209)**	**(307)**	

For the purpose of comparison, the gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments for the 2015/16 are made up as follows:

31 March 2016	Financial Liabilities	Financial Assets		Total
	Liabilities measured at amortised cost £'000	Loans and Receivables £'00	Available for sale assets £'000	£'000
Interest expense Losses on derecognition	21			
Interest Payable and similar charges	**21**			**21**
Interest income Gains on derecognition		155	438 1	
Interest and investment income		**155**	**439**	**594**
Gains on revaluation Losses on revaluation			(145) 43	
(Surplus)/Deficit arising on revaluation of financial assets			**(102)**	
Total Net (Gain)/Loss for the year	**21**	**(155)**	**(337)**	

Financial Instruments – Fair Values

Financial assets classified as available for sale are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated calculating the net present value of the remaining contractual cash flows at 31st March 2017 using the following methods and assumptions:

- Certificates of deposit have been discounted at market interest rates for instruments of similar credit quality and remaining term to maturity.

Financial assets classified as loans and receivables are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2017. The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Financial Instruments – Risk

The Council has adopted CIPFA's code of practice on Treasury Management and complies with the Prudential Code for Capital Finance in Local Authorities.

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

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Department for Communities and Local Government Guidance on Local Government Investments. This guidance emphasizes that priority is to be given to security and liquidity rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

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

- Credit risk – the possibility that one party to a financial asset will fail to meet its contractual obligations causing a loss to the Council.
- Liquidity risk – the possibility that the Council might not have the cash available to make contracted payments on time.
- Market risk – the possibility that an unplanned financial loss will materialize because of changes in market variables such as interest rates or equity prices.

Credit Risk: Investments

The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swaps and equity prices when selecting commercial entities for investment.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence as the 31 March 2017 that this was likely to crystallise.

The Table below summarises the credit risk exposures of the Council's investment portfolio by credit rating.

Credit Rating	Long Term		Short Term	
	31/03/2017	31/03/2016	31/03/2017	31/03/2016
	£'000	£'000	£'000	£'000
AAA	7,000	6,500	9,000	9,990
AA+				
AA				
AA-			5,675	8,000
A+			2,000	
A	500	500	5,000	8,000
A-	3,000		1,000	331
Unrated Local Authorities			14,000	11,000
Unrated Pooled Funds			5,000	4,000
Total Investments (nominal amount)	**10,500**	**7,000**	**41,675**	**41,321**

Exposure to default and non-collection

Over the past five years there has been no historical experience of default on deposits with banks and financial institutions or bonds. Therefore our estimated maximum exposure to default and non-collection as at 31 March 2017 for these investment is nil (Nil for 2015/16). Customers are assessed taking into account their financial position, past experience and other factors.

The following analysis summarized the authority's potential maximum exposure to credit risk, based on experience of default and non-collection over the last five financial years, adjusted to reflect current market conditions.

Estimated maximum exposure at 31 March 2016 £'000		Nominal Amount invested at 31 March 2017 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2016 %	Estimate maximum exposure to default and non-collection at 31 March 2016 £'000
0	Deposits with Banks & Financial Institutions	17,000			
0	Deposits with other Local Authorities	17,000			
0	Bonds/Gilts	18,175			
721	Customers	2,551	33.13	33.13	845
721	**Total maximum exposure to default and non-collection**	**54,726**	**33.13**	**33.13**	**845**

Liquidity Risk

South Somerset District Council ensures it has adequate, though not excessive, cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.

Market risk – Interest rate risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rate 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 liabilities borrowings will fall
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise
- Investments at fixed rates – the fair value of the liabilities borrowings will fall

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

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

According to this assessment strategy, at 31 March 2017, if interest rates had been 1% higher with all other variables held constant, there would have been an increase in interest receivable on investments of approximately £626k.

Market Risk – Price risk

The market prices of the Council's fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the market risk associated with these instruments is managed alongside interest rate risk.

The Council's investment in a pooled property fund and pooled equity funds are subject to the risk of falling commercial property prices or falling share prices. This risk is limited by the Council's maximum exposure to pooled funds of £6.000m nominal value per fund. A 5% fall in commercial property prices or share prices would result in a £300k charge to Other Comprehensive Income and Expenditure – this would have no impact on the General Fund until the investments were sold.

Market risk – Foreign exchange risk

The Council has not financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates. The Eurobonds held by the Council are denominated in Pound Sterling.

33. Cash Flow Statement – Operating activities

The cash flows for operating activities include the following items:

Previous Year 2015/16 £'000		**Current Year 2016/17 £'000**
1,040	Interest received	808
(21)	Interest paid	(17)
1,019	**Net Cash Flows from Operating Activities relating to interest**	**791**

Previous Year 2015/16 £'000		Current Year 2016/17 £'000
1,971	Depreciation and amortisation	1,846
339	Impairment and downward valuations	1,790
338	Increase/decrease in creditors	148
(1,351)	Increase/decrease in debtors	1,762
(8)	Increase/decrease in inventories	(29)
3,420	Movement in pension liability	2,868
47	Carrying amounts of non-current assets and non-current assets held for sale, sold or derecognized	155
837	Other non-cash items charged to the net surplus or deficit on the provision of services	140
5,593	**Total Adjustments for Non-Cash Movements**	**8,680**

Previous Year 2015/16 £'000		Current Year 2016/17 £'000
(1,129)	Proceeds from the sale of property, plant and equipment and intangible assets	(1,455)
(1,263)	Any other items for which the cash effects are investing or financing cash flows	(2,070)
(2,392)	**Total Adjustments for Investing and Financing Activities**	**(3,525)**

34. Cash Flow Statement – Investing activities

Previous Year 2015/16 £'000		Current Year 2016/17 £'000
(1,874)	Purchase of property, plant and equipment, investment property and intangible assets	(1,835)
(100,863)	Purchase of short-term and long-term investments	(115,881)
(224)	Other payments for investing activities	(1,584)
1,141	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,311
98,409	Proceeds from sale of short-term and long-term investments	111,253
2,384	Other receipts from investing activities	2,526
(1,027)	**Net Cash Flows from Investing Activities**	**(4,210)**

35. Cash Flow Statement – Financing activities

Previous Year 2015/16 £'000		Current Year 2016/17 £'000
15	Cash receipts of short and long-term borrowing	15
0	Other receipts from financing activities	0
(170)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(113)
(1,856)	Other payments for financing activities	5,122
(2,011)	**Net Cash Flows from Financing Activities**	**5,024**

36. Trading operations

The Council operates a number of trading activities. The results of these activities are as follows:

Previous Year		Current Year		
2015/16 (Surplus)/Deficit £'000		**2016/17 Expenditure £'000**	**2016/17 Income £'000**	**(Surplus)/Deficit 2016/17 £'000**
57	Properties	399	(273)	126
14	Markets	42	(28)	14
68	Catering	158	(80)	78
(86)	Careline	265	(394)	(129)
53	**Total Trading Accounts**	**864**	**(775)**	**89**

37. Members' Allowances

Previous Year 2015/16 £'000		Current Year 2016/17 £'000
382	Basic Allowance	384
122	Special Responsibility Allowance	118
42	Expenses	18
546	**Total Members Allowance**	**520**

Further information on Members' allowances is available on our website and may also be obtained from the Human Resources department.

38. Officers' Remuneration

During the 2016/17 financial year the number of officers who received remuneration, which includes salary, leased car and termination payments, in excess of £50k were as follows:

			Remuneration Band			
Total	**Left during year**	**Compens-ation for loss of office**		**Total**	**Left during year**	**Compens-ation for loss of office**
4			£50,000 - £54,999	3		
1			£55,000 - £59,999	1		
3			£60,000 - £64,999			
			£65,000 - £69,999	2		
1			£70,000 - £74,999			
1			£75,000 - £79,999	1		
			£80,000 - £84,999			
			£85,000 - £89,999			
			£90,000 - £94,999			
1			£95,000 - £99,999			
1			£100,000 - £104,999			
			£110,000 - £114,999	2		1
			£155,000 - £159,999	1		1
			£165,000 - £169,999	1		1
			£175,000 - £179,999	1	1	1
			£195,000 +	1		1

Compensation for loss of office that was agreed before 31/3/17, has been accrued for in 16/17 but the four officers will leave during 17/18. Compensation for loss of office has been agreed after 31/3/17 for two officers and provisions have been made amounting to £221k.

Senior Officers

A senior officer is an employee whose salary is more than £150k per year, or one whose salary is at least £50k (to be calculated pro rata for a part-time employee) and who are either the designated head of paid services, a statutory officer and any person having responsibility for the management of the relevant body, to the extent that the person has power to direct or control the major activities of the body.

Senior employees are typically an authority's Chief Executive (or equivalent), officers that report direct to them (other than administration staff), and statutory chief officers. For South Somerset District Council, the senior employees are the Strategic Directors, Directors and the Assistant Directors with statutory roles.

Senior Officers' Emoluments

Current year 2016/17 Post Title	Name of officer	Salary (including Fees & Allowances) £'000	Benefits in kind £'000	Compen-sation for loss of office £'000	Total Remuneration (excl. pension contribution) £'000	Pension Contribution £'000	Total Remuneration (incl. pension contribution) £'000
Chief Executive	A Parmley	55	0	0	**55**	8	**63**

Note: A Parmley joined SSDC in October 2016 so this is only a part year payment

Previous year 2015/16 Post Title	Name of officer	Salary (including Fees & Allowances) £'000	Benefits in kind £'000	Compen-sation for loss of office £'000	Total Remuneration (excl. pension contribution) £'000	Pension Contribution £'000	Total Remuneration (incl. pension contribution) £'000
Chief Executive	M Williams	20	2	0	**22**	4	**26**

Note: M Williams left SSDC in July 2015

Current year 2016/17 Post Title	Salary (including Fees & Allowances) £'000	Benefits in kind £'000	Compen-sation for loss of office £'000	Total Remuneration (excl. pension contribution) £'000	Pension Contribution £'000	Total Remuneration (incl. pension contribution) £'000
Strategic Director (Place & Performance)	110	2	0	**112**	15	**127**
Strategic Director (Operations & Customer Focus)	79	2	95	**176**	11	**187**
Assistant Director (Finance & Corporate Services)	73	0	95	**168**	10	**178**
Assistant Director (Legal & Corporate Services)	77	0	0	**77**	11	**88**
Director (Service Delivery)	26	1	0	**27**	4	**31**
Director (Commercial Services & Income Generation	15	0	0	**15**	2	17
TOTAL	**380**	**5**	**190**	**575**	**53**	**628**

During the period 1st June 2015 and 21st April 2016 the Strategic Directors were both paid a honoraria for sharing the duties previously carried out by the chief executive. From the 21st April the Strategic Director (Place and Performance) was solely responsible for this role until A Parmley was appointed on the 3rd October 2016.

Previous year 2015/16 Post Title	Salary (including Fees & Allowances) £'000	Benefits in kind £'000	Compen-sation for loss of office £'000	Total Remuneration (excl. pension contribution) £'000	Pension Contribution £'000	Total Remuneration (incl. pension contribution) £'000
Strategic Director (Place & Performance)	99	2	0	**101**	14	**115**
Strategic Director (Operations & Customer Focus)	94	2	0	**96**	15	**111**
Assistant Director (Finance & Corporate Services)	73	1	0	**74**	10	**84**
Assistant Director (Legal & Corporate Services)	76	1	0	**77**	11	**88**
TOTAL	**342**	**6**	**0**	**348**	**50**	**398**

Exit Packages

The total cost of £544k for 2016/17 (£18k for 2015/16) has been charged to the authority's Comprehensive Income and Expenditure Statement in the current year

Exit Package Costs Band (including special payments)	Number of Compulsory Redundancies		Number of Voluntary/Efficiency of service		Total Number of Exit Packages		Total Cost of Exit Packages	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16 £'000	2016/17 £'000
£0 - £20,000	0	0	1	2	1	2	18	30
£20,001 - £40,000	0	0	0	1	0	1	0	30
£40,001 - £60,000	0	0	0	1	0	1	0	49
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	3	0	3	0	282
£100,001 - £120,000	0	0	0	0	0	0	0	0
£120,001 - £140,000	0	0	0	0	0	0	0	0
£140,001 - £160,000	0	0	0	1	0	1	0	153
TOTAL	**0**	**0**	**1**	**8**	**1**	**8**	**18**	**544**

Termination Benefits

The authority terminated the contracts of 8 employees in 2016/17, incurring liabilities of £544k (£18k in 2015/16). These officers were made redundant as part of the Authority's transformation of services.

39. Audit Costs

In 2016/17 South Somerset District Council incurred the following fees relating to external audit and inspection:

Previous Year 2015/16 £'000		Current Year 2016/17 £'000
50	Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	49
14	Fees payable to Grant Thornton for the certification of grant claims and returns	12
0	Fees payable in respect of other services provided by Grant Thornton	10
64	**Total Audit Costs**	**71**

40. Long term contracts

South Somerset District Council has entered into the following long-term contracts for the provision of core services.

Contractor	Services Provided	Date of Expiry of Contract	Payment/(Income) 2016/17 £'000	Ongoing Commitment £'000
LED	Leisure Services – Goldenstones & St Michael's Hall	March 2019	(30)	(60)
LED	Leisure Services – Wincanton Community Sports Centre	March 2019	45	91
Somerset Waste Partnership	Refuse Collection and Support Services	September 2021	4,832	17,915
South West Audit Partnership	Internal Audit	On-going	94	94 per year

*The South West Audit Partnership from 1st April 2013 became a company limited by guarantee. The current contract is on-going and requires a one year notice period to terminate

41. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive income and Expenditure Statement in 2016/17.

Previous Year 2015/16 £'000		Current Year 2016/17 £'000
1,278	Capital Grants	2,085
4,002	New Homes Bonus	4,666
2,708	Revenue Support Grant (UK Government)	1,676
103	Other non-specific Government Grant	231
8,091	**Total Grants credited to taxation and Non-Specific Grant income and Expenditure**	**8,658**
0	Business Rates Tax loss reimbursement	849
225	Cost of Collection – Business Rates	224
46,069	Housing Benefits	43,165
105	Homelessness Grants	61
432	Miscellaneous Grants	518
46,831	**Total Grants credited to services**	**44,817**
54,922	**Total Grants**	**53,475**

42. Related Party Transactions

The Council is required to disclose any significant transactions with related parties.

Precepts from Other Local Authorities are detailed on page 76 in Note 1 to the Collection Fund and receipts received from the UK Central Government (which exerts significant influence through legislation and grant funding) are detailed above in Note 41 to the Core Financial Statements.

Transactions to and from the Pension Fund are detailed on pages 69 to 72 in Note 46 to the Core Financial Statements.

The Council makes significant contributions to the organisations listed below. Councillors have either been nominated to represent SSDC on their management boards or have declared a position of general control or influence in the organisation.

Organisation	SSDC Contribution in 2016/17	SSDC Councillor
Parrett Drainage Board	£64,523 as a special levy and drainage work	Cllr M Lewis Cllr J Roundell Greene Cllr N Weeks
South West Councils	£18,049 Subscription and training	Cllr S Seal
Holyrood Academy	£45,000 S106 Payment	Cllr A Broom Cllr P Sieb
Huish Episcopi Academy	£25,524 S106 Payment	Cllr C Aparicio Paul
Local Government Association	£12,531 Membership	Cllr R Pallister
UNISON	£23,210 Employees subscriptions	Cllr D Bulmer
Wincanton Community Venture (The Balsam Centre)	£10,584 Grant	Cllr S Dyke

The Council is part of a joint operation called Lufton 2000, with Abbey Manor Developments Ltd, to purchase and develop 30 acres of industrial land at Lufton. The initial contribution was £351k in 1999/2000. In 2016/17, £0 was paid out towards the development of the land for phase III of the project. The draft unaudited accounts of the joint operation for the year ended 31 March 2017 disclose net assets of £1.216m and a net profit of £15k. The shares are jointly held with SSDC and Abbey Manor Developments Ltd each holding a 50% interest. A copy of these accounts may be obtained from the Council by telephoning 01935 462462.

South Somerset District Council is a member of the South West Audit Partnership which is a company limited by guarantee and is wholly owned and controlled, as an in-house company, by the members and is a local authority controlled company for the purposed of Part V of the Local Government and Housing Act 1989. The liability of each member is limited to £1, being the amount that each member undertakes to contribute to the assets of the Company in the event of it being wound up while the Authority is a member or within one year after the Authority ceases to be a member. South West Audit Partnership provides internal audit services. Further details can be found in note 40 on page 66.

43. Capital expenditure and financing

Previous Year 2015/16			Current Year 2016/17	
£'000	£'000		£'000	£'000
	9,447	**Opening Capital financing Requirement**		**9,342**
		Capital Expenditure		
50		Intangible Non-current Assets	0	
1,685		Non-Current Assets	2,182	
190		Long Term Debtors	1,567	
1,397		Revenue Expenditure funded from Capital under Statute	5,238	
	3,322			**8,987**
		Sources of Finance		
(1,804)		Use of Capital Receipts	(6,589)	
(1,026)		Government Grants & Other Contributions	(2,134)	
(427)		Capital expenditure charged against the capital fund	(155)	
(170)		Minimum Revenue Provisions	(113)	
	(3,427)			**(8,991)**
	9,342	**Closing Capital Financing Requirement**		**9,338**

44. Leases

Authority as Lessee

Finance Leases

The Council has acquired a number of vehicles and printers under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31 March 2016 £'000		31 March 2017 £'000
222	Vehicles, Plant, Furniture and Equipment	212
222	**Total Carrying Amount of Leases**	**212**

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31 March 2016 £'000		31 March 2017 £'000
230	Finance lease liabilities (net present value of minimum lease payments)	227
17	Finance Cost Payable in future years	16
247		**243**

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2016 £'000	**31 March 2017 £'000**	**31 March 2016 £'000**	**31 March 2017 £'000**
Not later than one year	102	102	94	94
Later than one year and not later than five years	134	136	126	128
Later than five years	11	5	10	5
Total Finance Lease Payments	**247**	**243**	**230**	**227**

Operating Leases

The future minimum lease payments due under non-cancellable leases in future years are:

31 March 2016 £'000				31 March 2017 £'000		
Vehicles, Plant & Equipment	Property	**Total**		Vehicles, Plant & Equipment	Property	**Total**
21	22	**43**	Not later than one year	22	22	**44**
63	90	**153**	Later than one year and not later than five years	65	90	**155**
	915	**915**	Later than five years		893	**893**
84	**1,027**	**1,111**	**Total Operating Lease Payments**	**87**	**1,005**	**1,092**

The expenditure charged to services in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

Previous Year 2015/16 £'000		Current Year 2016/17 £'000
	Minimum lease payments	
109	• Vehicles, Plant and Equipment	98
38	• Property	34
147	**Total Operating Lease Payments Charge to the Comprehensive Income and Expenditure Statement**	**132**

Authority as Lessor

Operating Leases

The Council leases out property and equipment under operating leases for economic development purposes to provide suitable affordable accommodation for local businesses.

The Council has granted leases in respect of a number of properties (principally commercial premises and business units) which are treated as operating leases. Rental income in respect of these properties for 2016/17 totalled £611k (2015/16 £612k).

45. Impairment Losses

During 2016/17, the Authority recognised a net impairment loss of £2.922m (£1.173m in 2015/16). This was made up of £3.183m reduction in value and £261k of reversing previous impairment losses.

The impairment losses of £1.859m have been charged to various service lines on the Comprehensive Income and Expenditure Statement and downward revaluations of £1.063m have been charged to the Revaluation Reserve.

46. Defined benefit pension schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments at the time that employees earn their future entitlement.

South Somerset District Council participates in the Local Government Pension Scheme (LGPS) for employees, administered by Somerset County Council – this is a funded defined benefit scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The benefits accrued up to 31 March 2017 are based on final salary and length of service on retirement. Changes to the LGPS came into effect from 1 April 2014 and any benefit accrued from this date will be based on career average revalued salary.

Transactions Relating to Post-Employment Benefits

The Council recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are actually 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 retirement benefits is reversed out of the General Fund Balance 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:

Previous Year 2015/16			Current Year 2016/17	
£'000	£'000		£'000	£'000
		Comprehensive Income and Expenditure Statement		
		Cost of Services:		
3,313		• Current service costs	2,971	
0		• Past service and curtailment costs	187	
55		• Administration Expenses	66	
	3,368			3,224
		Financing and Investment Income and Expenditure		
5,243		• Interest Cost	5,426	
(2,635)		• Return on Assets	(2,939)	
	2,608			2,487
	5,976	**Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement**		**5,711**
		Other Post Employment benefit charged to the Comprehensive Income and Expenditure Statement		
		Remeasurement of the net defined benefit liability comprising:		
	1,862	Return on plan fund assets in excess of interest		(16,838)
	(17,049)	Change in financial assumptions		37,680
	0	Change in demographic assumptions		(3,393)
	43	Experience gain on defined benefit obligation		(2,748)
	0	Other actuarial (gains)/losses on assets		324
	(15,144)	**Total remeasurement of net defined benefit liability**		**15,025**
	(9,168)	**Total post employment benefit charged to the Comprehensive Income and Expenditure Statement**		**20,736**

Previous Year 2015/16			Current Year 2016/17	
		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 Actual amount charged against the General Fund Balance for pensions in the year:		
(2,326)		• Employer's contributions payable to scheme	(2,614)	
(230)		• Retirement benefits payable to pensioners	(229)	
	(2,556)			**(2,843)**

The change in financial assumptions reflects a decrease in the discount rate from 3.7% to 2.7%. The discount rate is based on corporate bond yields that match the duration of the employers liabilities. Although the yields have been volatile they have decreased overall which indicates an increase in liabilities.

Assets and Liabilities in Relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2017 are as follows:

Reconciliation of the Present Value of Scheme Liabilities and Fair Value of Scheme Assets to the Liabilities and Assets on the Balance Sheet

Previous Year 2015/16 £'000		Current Year 2016/17 £'000
145,417	Present Value of Funded Obligation	181,571
(79,933)	Fair Value of Assets in Scheme	(98,307)
65,484	**Net Liability**	**83,264**
3,094	Present Value of Unfunded Obligation	3,207
68,578	**Closing Balance at 31 March**	**86,471**

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total liability of £86.471m has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in an overall balance of £19.256m. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Reconciliation of Present Value of the scheme liabilities

Previous Year 2015/16 £'000		Current Year 2016/17 £'000
160,797	Opening Balance at 1 April	148,510
3,313	Current service cost	2,971
5,243	Interest cost	5,426
	Remeasurement (gains) and losses:	
(17,049)	Actuarial gains/losses from change in financial assumptions	37,680
0	Actuarial gains/losses from change in demographic assumptions	(3,393)
43	Experience loss/(gain) on defined benefit obligation	(2,748)
0	Liabilities assumed/(extinguished) on settlements	0
(4,325)	Estimated benefits paid net of transfers in	(4,355)
0	Past service costs, including curtailments	187
718	Contributions by scheme participants	728
(230)	Unfunded Pension Payments	(229)
148,510	**Closing balance at 31 March**	**184,777**

Reconciliation of Fair Value of Scheme Assets

Previous Year 2015/16 £'000		Current Year 2016/17 £'000
80,496	Opening Balance at 1 April	79,933
2,635	Interest on Assets	2,939
(1,862)	Return on Assets less interests	16,838
0	Other actuarial gains/(losses)	(324)
(55)	Administration expenses	(66)
2,556	Contribution by the employers	2,843
718	Contributions by scheme participants	728
(4,555)	Benefits paid	(4,584)
0	Settlement prices received/(paid)	0
79,933	**Closing balance at 31 March**	**98,307**

The expected return on assets is based on the long-term future expected investment return for each asset class at the beginning of the period. The return on gilts and other bonds are assumed to the gilt yield and corporate bond yield respectively (with an adjustment to reflect default risk) at the relevant date. The return on equities and property is then assumed to be a margin above gilt yields.

Sensitivity Analysis

	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	181,442	184,778	188,178
Projected service cost	4,232	4,334	4,439
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	185,272	184,778	184,288
Projected service costs	4,334	4,334	4,334
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	187,681	184,778	181,929
Projected service costs	4,438	4,334	4,232
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present value of total obligation	191,787	184,778	178,033
Projected service costs	4,472	4,334	4,200

Projected Pension Expense for the year to 31 March 2018

	Year to 31 March 2018 £'000
Service Cost	4,334
Net Interest on the defined liability	2,292
Administration expenses	81
Total Loss/(Profit)	**6,707**
Employer Contributions	**2,958**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumption about mortality rates, salary levels etc. The Peninsula Pension Fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries. Estimates for the Peninsula Pension Fund being based on the latest full valuation of the scheme as at 31 March 2017.

The principal assumptions used by the actuary have been:

31 March 2016		31 March 2017
2.4%	Rate of inflation (CPI)	2.7%
4.2%	Rate of general long-term increase in salaries	4.2%
2.4%	Rate of increase to pensions in payment	2.7%
2.4%	Rate of increase to deferred pensions	2.7%
3.7%	Discount Rate	2.7%

Assumed life expectations from aged 65 (years) are:

	Males	Females
Current Pensioners	23.9	25.0
Future Pensioners (20 years from now)	26.1	27.4

The fair value of the total scheme assets comprises the following categories, by proportion of the total assets held:

% of total Scheme as at 31 March 2016	Value of total Scheme as at 31 March 2016		% of total Scheme as at 31 March 2017	Value of total Scheme as at 31 March 2017
69	54,788	Equity Investments	71	70,088
7	6,028	Government Bonds	6	6,025
11	8,818	Corporate Bonds	10	9,641
11	8,999	Property	9	8,673
2	1,300	Cash	4	3,880
100	**79,933**		**100**	**98,307**

47. Contingent liabilities

There is a potential environmental risk in the Birchfield Park area as part of the land is an old landfill site. The site continues to be monitored and there is a bond in place with the developer to meet any liabilities resulting from the development of the road. However, there remains a residual liability of £311k that falls on SSDC. A specific working group manages any risks within existing revenue and capital budgets.

In transferring employees to the Somerset Waste Partnership (SWP) South Somerset agreed a guarantee of last resort to the Somerset County Council Pension Fund for those employees transferred to Kier. The actuarial valuation at the time assessed the maximum liability at £748k. However it is highly unlikely that this will ever be required as the SWP has the right over vehicles and depots and the staff would transfer back to the authority.

South West Audit Partnership became a company limited by guarantee on 1st April 2013. SSDC has guaranteed the Somerset County Council Pension fund deficit relating to ex-employees to a value of £149k. The nursery that was run by South Somerset District Council has now transferred to Mama Bears. The Council has guaranteed £36k to the Somerset County Council Pension fund.

48. Dorcas House

Dorcas House (otherwise known as Portreeves or Corporation Almshouses) is a registered charity, No 235337, whose trusteeship is vested in South Somerset District Council. The Charity is restricted to being permitted to assist ‘poor women residents in the Borough of Yeovil’.

A summary of the financial activities for Dorcas house Trust is shown in the table below:

Previous Year 2015/16 £’000		**Current Year 2016/17 £’000**
(2)	Total Income for the Year	**(1)**
0	Revaluation of Investments	**0**
(1)	Total Expenditure of the Year	**1**
(3)	**Deficit/(Surplus) for the Year**	**0**

(Brackets represent income)

Previous Year 2015/16 £’000		**Current Year 2016/17 £’000**
443	Capital & Unrestricted Funds	443
443	**Total Reserves**	**443**

The Statement of Accounts for Dorcas house Trust may be obtained by contacting the Assistant Director – Finance and Corporate Services, The Council Offices, Brympton Way, Yeovil, Somerset, BA20 2HT.

Collection Fund Account

Income and Expenditure Account for the year ended 31 March 2017

This account 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).

Restated Previous Year 2015/16		Year Ended 31 March 2017		
Collection Fund £'000		**Business Rates £'000**	**Council Tax £'000**	**Collection Fund £'000**
	INCOME			
(87,581)	Council Tax Receivable		(92,350)	(92,350)
(41,882)	Business Rates Receivable	(45,617)		(45,617)
(396)	Transitional Protection Payments			
	Apportionment of Previous Year Deficit			
	Central Government	(4,331)		(4,331)
	Somerset County Council	(780)		(780)
	Devon & Somerset Fire & Rescue	(87)		(87)
	South Somerset District Council (including Parishes)	(3,465)		(3,465)
(129,859)	**TOTAL INCOME**	**(54,280)**	**(92,350)**	**(146,630)**
	EXPENDITURE			
	Precepts and Demands			
22,101	Central Government	21,903		21,903
62,682	Somerset County Council	3,943	63,322	67,265
9,988	Police and Crime Commissioner for Avon & Somerset		10,436	10,436
4,923	Devon & Somerset Fire & Rescue	438	4,682	5,120
30,558	South Somerset District Council (including Parishes)	17,830	13,484	31,314
	Apportionment of Previous Year Surplus			
1,199	Central Government			
968	Somerset County Council		869	869
125	Police and Crime Commissioner for Avon & Somerset		148	148
81	Devon & Somerset Fire & Rescue		66	66
1,122	South Somerset District Council (including Parishes)		190	190
	Charges to Collection Fund			
760	Write offs of uncollectable amounts	755	339	1094
921	Increase/(Decrease) in bad debt	(365)		(365)
786	Increase/(Decrease) in Provision for Appeals	(214)	41	(173)
225	Cost of Collection	224		224
	Transitional Protection Payments	102		102
101	Interest Payable	3		3
45	(Increase)/Decrease in Council Tax Benefits			
136,585	**TOTAL EXPENDITURE**	**44,619**	**93,577**	**138,196**
6,726	**(SURPLUS)/DEFICIT FOR YEAR**	(9,661)	1,227	(8,434)
(668)	**Balances at Start of Year**	8,190	(2,132)	6,058
6,058	**Balances at End of Year**	(1,471)	(905)	(2,376)

Previous Year 2015/16	Attributable to:	Year Ended 31 March 2017		
Collection Fund £'000		**Business Rates £'000**	**Council Tax £'000**	**Collection Fund £'000**
4,095	Central Government	(736)		(736)
(726)	Somerset County Council	(132)	(625)	(757)
(246)	Police and Crime Commissioner for Avon & Somerset		(103)	(103)
(28)	Devon & Somerset Fire & Rescue	(15)	(46)	(61)
2,963	South Somerset District Council (including Parishes for Council Tax)	(588)	(131)	(719)
6,058		(1,471)	(905)	(2,376)

(Brackets represent income or liabilities)

Notes to the Collection Fund

The Collection Fund is a statutory fund set up to deal with the collection and distribution of amounts due in respect of Council tax and Business Rates. The collection fund is managed and administered by South Somerset District Council as the Billing Authority on behalf of the council tax-payers and business rate-payers within its area. All sums raised from council tax and business rates are paid into the fund together with relevant government grants. Payments out of the fund include contributions to the national Non-Domestic Rate pool and precept payments to Somerset County Council, Police and Crime Commissioner for Avon & Somerset, Devon & Somerset Fire & Rescue Authority, South Somerset District Council and Town/Parish Councils to fund their net service requirements.

1. Income from Council Tax

Council Tax income is calculated by estimating the amount of income or precept required from the Collection Fund for Somerset County Council, Police and Crime Commissioner for Avon & Somerset, Devon & Somerset Fire & Rescue Authority and South Somerset District Council.

The estimate is made by calculating a tax base and dividing the precepts by the tax base to establish the tax payable for a Band D property (properties in other bands pay a proportion of the Band D charge). The first step in calculating the tax base is to adjust the total number of properties in each band to the effective number of properties by reducing the number to allow for the number of discounts and exemptions. The effective number of dwellings is then converted to the number of Band D equivalents by applying the weighting for each band. The following table illustrates how the tax base has increased from 2015/16.

Tax Base						
Previous Year 2015/16					**Current Year 2016/17**	
Effective No of dwellings	Band D Equivalent	Weighting	Tax Band	Property Value (at April 1991)	Effective No of dwellings	Band D Equivalent
9	5	5/9ths	A-	Disabled band	9	5
8,289	5,524	6/9ths	A	Up to £40,000	8,390	5,593
19,670	15,299	7/9ths	B	Between £40,001 & £52,000	19,807	15,405
14,358	12,763	8/9ths	C	Between £52,001 & £68,000	14,531	12,917
10,669	10,668	1	D	Between £68,001 & £88,000	10,816	10,816
8,371	10,230	11/9ths	E	Between £88,001 & £120,000	8,487	10,374
4,350	6,283	13/9ths	F	Between £120,001 & £160,000	4,391	6,342
1,722	2,871	15/9ths	G	Between £160,001 & £320,000	1,733	2,888
138	277	18/9ths	H	Over £320,000	140	280
67,576	**63,920**				**68,304**	**64,620**
	(737)			Less adjustment for non-collection and banding reductions		(592)
	(6,039)			Les adjustment for Council Tax Reduction Scheme		(5,485)
	57,144			**Council Tax Base**		**58,543**

Details of the precepts are shown below:

Previous Year 2015/16 £	Precepting Authorities	Current Year 2016/17 £
58,703,712	Somerset County Council	63,322,463
9,987,621	Police and Crime Commissioner for Avon & Somerset	10,435,779
4,481,207	Devon & Somerset Fire & Rescue Authority	4,682,269
8,456,518	District Council's own requirement	8,926,450
4,191,067	Total of Parish Precepts & Levies	4,542,890

The council tax for Band D, calculated by dividing the precepts by the tax base, is shown below:

Previous Year 2015/16 £	Council Tax Levy at Band D	Current Year 2016/17 £
1,027.30	Somerset County Council	1,081.64
174.78	Police and Crime Commissioner for Avon & Somerset	178.26
78.42	Devon & Somerset Fire & Rescue Authority	79.98
147.75	South Somerset District Council	152.48
1,428.25		**1,492.36**
73.34	Add Town & Parish Councils (average)	77.60
1,501.59	**Average Council Tax Levy at Band D**	**1,569.96**

2. Council Tax Surplus/Deficit on collection fund

An estimate is made each January of the surplus or deficit on the collection fund in order for the County, Police Authority, Fire & Rescue Authority and the District Council to take into account when setting their precept for the following year.

3. Income collectable from business rate payers

The Council collects the Business Rates on behalf of the Government. HM Revenue & Customs assesses the Rateable Values and the Government sets the rate in the £ (or multiplier). Comparative details are shown below:

Previous Year 2015/16		Current Year 2016/17
	National Non-Domestic Rates (NNDR)	
£112,758,817	Rateable value at 31st March	£113,134,742
	NNDR rate poundage	
49.3p	- National Multiplier	49.7p
48.0p	- Small Business Multiplier	48.4p

4. Somerset Business Rate Pool

As part of the Business Rates Retention system the Government introduced a system of Levies and Safety Nets. Growth is limited by a Levy, which pays for a national Safety Net for authorities whose Business Rates base declines by more than 7.5%.

The levy rate can be reduced by being part of a Business Rates Pool. The Somerset Business Rates Pool was established with effect from 1st April 2015. South Somerset District Council is a member of the Pool which consists of five other Districts and Somerset County Council and has resulted in a Pool Levy rate of 7.5% (opposed to 50.0%) enabling the council to retain more of the proceeds from growth.

The retained levy is allocated across the pool members in accordance with the Pooling Agreement. South Somerset District Council's share of the retained levy for 2016/17 was £316k.

ANNUAL GOVERNANCE STATEMENT

Scope of responsibility

SSDC is responsible for ensuring that:

- its business is conducted in accordance with the law and proper standards;
- public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

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

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

SSDC has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework "*Delivering Good Governance in Local Government".* A copy of the authority's code can be obtained on request. This statement explains how SSDC has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, regulation 46, which requires all relevant bodies to prepare an annual governance statement.

The purpose of the governance framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process that is designed to:

- identify and prioritise the risks to the achievement of SSDC's policies, aims and objectives;
- evaluate the likelihood and potential impact of those risks being realised;
- managing the risks efficiently, effectively and economically.

The governance framework has been in place at SSDC for the year ended 31 March 2017 and up to the date of approval of the statement of accounts.

The governance environment

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

Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

- The Council Plan sets out the priority areas for South Somerset District Council.

- Annual accounts are published on a timely basis to communicate the council's activities and achievements, its financial position and performance.

- Guidance has been produced to facilitate partnership working and a Partnership Register published and updated annually.

- All reports to be considered for approval must show a clear outline of purpose so the community can understand each committee report. All reports must have a clear outline of financial implications before consideration by members.

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

- The three statutory officers (Head of Paid Service, Monitoring Officer and s151 Officer) regularly meet as a Corporate Governance Group. The Monitoring Officer and s151 Officer report directly to the Head of Paid Service and are members of the senior Management Board.

- Regular weekly meetings between the Leader and Chief Executive in order to maintain a shared understanding of roles and objectives.

- Protocols developed and enforced to ensure effective communication between members and officers in their respective roles.

- Regular meetings are held between the Executive members and senior management.

- There is a clear scheme of delegation for officers and members within the Constitution.

- The s151 Officer leads the promotion and delivery of good financial management through Management Board, Corporate Performance Team, attendance at committees, is the lead officer for the Audit Committee, and specialist workshops and training. The s151 Officer has line management responsibility for finance staff.

Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- The financial management of the Council is conducted in accordance with the rules set out in Part 4 of the Constitution.

- The Council maintains an Internal Audit Service through the South West Audit Partnership (SWAP) that operates to standards specified by the Chartered Institute of Internal Auditors (CIIA) and the CIPFA statement of the Role of the Head of Internal Audit (2010) but with some delegation within SWAP.

- There is a countywide code of conduct and this is regularly reviewed by the Standards Committee.

- There is a voluntary Standards Committee in place with an agreed constitution containing its terms of reference.

- Regular communication is made through Staff Awareness Sessions, Insite (our intranet), Transformation Tuesday bulletins, and Team Brief. Targeted communication is also applied ad hoc e.g. all-staff briefings on progress of the Council's Transformation Programme.

- A Management Charter has been introduced and signed by all Managers and compliance is reviewed through Staff Appraisal and Development Reviews.

- A Staff Charter has been introduced.

- The Council received an IIP (Investors In People) gold award in March 2015.

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

- The Council has adopted a Constitution that sets out how it operates, how decisions are taken and the procedures to follow.

- The District Executive facilitates decision-making and its Sub Committees, four Area Committees and meetings are open to the public except where personal or confidential matters are disclosed.

- Portfolio Holders can make decisions under delegated authority and these are fully publicised. Senior officers can also take decisions under delegated authority.

- Regulation Committee determines planning applications that are referred from Area Committees.

- The Council publishes a Forward Plan that provides details of key decisions to be made by the Council and its committees.

- Area Committees also hold regular workshops where local issues are identified and discussed.

- The Council has approved a Risk Management Policy that identifies how risks are managed.

- Responsible officers are required to maintain their part of the Risk Register.

- All Assistant Directors have the following included within their job descriptions, "Lead the service(s) in a full and comprehensive understanding of risk, risk assessment and risk management as it relates to the operational areas relevant to the service(s)."

- Any Internal Audit actions showing the highest risk score of 5 will be outlined annually and monitored within the Annual Governance Statement.

Developing the capacity and capability of members and officers to be effective

- The Council looks to develop skills on a continuing basis to improve performance of officers through the Staff Development and Appraisal Review process including the use of training and development plans.

- Succession planning encourages participation and development for members and officers.

- Through a comprehensive member training and development programme.

- An induction programme is in place for all new staff and newly elected members.

- Clear job descriptions and personal specifications are in place for all roles.

- The s151 Officer and four of the finance team are qualified accountants with several years' experience. The finance function has sufficient resources within the Establishment to perform its role effectively.

Engaging the local people and other stakeholders to ensure robust public accountability

- Area Committees ensure further local accountability and local access.

- Budget consultation has been carried out for specific savings plans and equalities assessments carried out on each proposal.

- A summarised Statement of Accounts is published each year explaining the key financial areas to the public.

Review of effectiveness

SSDC has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Corporate Governance Group*, Management Board and the Corporate Performance Team, who have responsibility for the development and maintenance of the governance environment, the annual report from the Head of Internal Audit (SWAP), and also by comments made by the external auditors and other review agencies and inspectorates.

**Note: the Corporate Governance Group responsibilities have been absorbed into Senior Leadership Team (SLT) meetings from April 2017.*

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

- The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are adequate. The Council reviews the constitution annually through its Standards Committee.

- The Council has a Scrutiny Committee that can call in any decision made by an Executive Committee before implementation. This enables them to consider whether or not the decision is appropriate. Pre-decision scrutiny has evolved to aid in the decision making process.

- The Audit Committee reviews the Annual Statement of Accounts, the Review of the Effectiveness of Internal Audit, and the Annual Governance Statement. It monitors the performance of internal audit quarterly and agrees the Internal and External Audit Plans. It reviews specific parts of the Constitution and makes recommendations on any amendments to full Council.

- The Audit Committee has a call in role for any service that receives a "partial" or "no assurance" audit opinion and monitors that action plans are completed through regular reports from the Service Manager and Assistant Director / Director.

- Internal Audit through SWAP is responsible for monitoring the quality and effectiveness of systems of internal control. The Audit Service has a Charter approved by the Audit Committee and there are no restrictions on the scope of their work. A risk model is used to formulate the plan and it is approved by the Audit Committee. The reporting process for Internal Audit requires a report of each audit to be submitted to the Service Manager with copies to the relevant Assistant Director, Assistant Director – Finance and Corporate Services (S151 Officer), Assistant Director – Legal and Corporate Services, and Chief Executive*. All audit reports include an 'opinion' that provides management with an independent judgement on the adequacy and effectiveness of internal controls. Reports include recommendations for improvement that are detailed in an action plan that is agreed with the service manager.

  *Note: Following the senior leadership restructure, reports will in future be submitted to the Service lead, relevant Director, Director for Support Services (Monitoring Officer), and S151 Officer. Significant matters will be reported to the Chief Executive and other Directors as members of SLT.

- Internal Audit (SWAP) has adopted and works to the Standards of the Institute of Internal Auditors and is further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS).

- For performance management, a monitoring and reporting system is in place reporting quarterly to the Executive Committee.

- The Council's Financial Procedure Rules are kept under review and revised periodically – the last review was approved in February 2015.

- Each Manager and Assistant Director is required to review their adherence to the governance framework and demonstrate compliance through reviewing and signing a Statement of Internal Operational Control. Each return is assessed by the S151 Officer for compliance and any apparent organisational improvements are included in the Governance Action Plan.

- Audit Committee has been advised on the implications of the result of the review of the effectiveness of the governance framework and a plan to address weaknesses and ensure continuous improvement of the system is in place.

We have been advised on the implications of the results of the **review of the effectiveness of the governance framework** by the Audit Committee and that the arrangements **continue to be regarded as fit for purpose in accordance with the governance framework**. The areas already addressed and those to be specifically addressed with new actions planned are outlined below:

Actions for 2016/17

The Annual Governance Statement for 2016/17 included the following actions:

- A refresh of the **Risk Management Strategy**
- A Management Team review of **Service Planning** requirements

These actions have not significantly progressed during 2016/17 with management resources focussed on other priorities.

Significant governance issues

There are no significant governance issues to report for 2016/17.

Actions for 2017/18

The Council has agreed a new senior leadership structure during 2016/17, with changes coming into effect from April 2017. During 2017/18 the Council will also progress with the implementation of its new Future Operating Model, which will include a complete restructure of management and staff organisation and new ways of working. Governance arrangements will need to be reviewed as part of transformation to ensure our risk management and systems of internal control remain fit for purpose.

Ref	Action	Responsible Officer	Target Completion Date
1	Review of the Risk Management Strategy to include consideration of transformation and commercial income generation priorities.	Director of Strategy and Commissioning	March 2018
2	Management Team review of Service Planning requirements reflecting new ways of delivering service activities under the new Future Operating Model.	Director of Strategy and Commissioning	March 2018
3	Review of governance arrangements to ensure these are updated to reflect the transformed council and its services	Director of Support Services	March 2018

Signed on behalf of SSDC:

Alex Parmley
Chief Executive

Cllr Ric Pallister
Leader

Glossary of Terms

Local Government, in common with many specialized 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.

Agency Work
is the provision of services by an authority on behalf of, and reimbursed by, the responsible authority/body.

Amortised Cost
is a mechanism that sees through the contractual terms of a financial instrument to measure the real cost or return to the authority by using the effective interest rate method which incorporates the impact of premiums or discounts.

Annual Governance Statement (AGS)
sets out the arrangements the authority has put in place to manage and mitigate the risks it faces when meeting its responsibilities.

Apportionments
are a mechanism for allocating the cost of support services to front line and other services using appropriate bases (e.g. floor space for accommodation related support services to spread the cost fairly.

Appropriation
is the transfer of an asset (e.g. land, buildings) from one service to another.

Asset
is something that South 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. stock and debtors)
- Non-current assets provide South Somerset benefits for a period of more than one year.

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

Available-for-Sale Assets
are financial assets which are not classed as loans and receivables. These include gilt-edged stocks and bonds which are quoted in an active market. They are carried in the balance sheet at fair value.

Available-for-Sale Financial Instruments Reserve
is a revaluation reserve introduced to manage the fair value process for Available-for-Sale Financial Assets. It is permitted to have a negative value provided that the losses posted to it are not impairment losses.

Balances
is the accumulated surplus of revenue income over expenditure.

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

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

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

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

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

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

Capital Discharged
is the extent to which capital expenditure has been met over a period by charging instalments to the revenue account, including the direct financing of expenditure in the year of acquisition.

Capital Financing Charges
represent, in the main, the cost to the Capital Financing Reserve of repaying loans, excluding interest, or the direct cost of acquiring assets, etc., in the year.

Capital Programme
is a financial summary of the capital schemes that South 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.

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.

Cash Limited Budgets
are fixed sums of money, including allowances for pay and price increases, allocated to services, and within which all spending should be met; this also involves flexibility in the carrying forward of under and over- spendings.

Central Government Grants
comprise three types:

- Grants paid by central government to aid local authority services in general, as opposed to specific grants, which may only be used for a specific purpose.

- Specific service grants – grants in aid of services in which central government have a more direct involvement.
- Supplementary grants – grants in aid of 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 Funds
are separate funds recording the expenditure and income relating to council tax and non-domestic rates.

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

Community Assets
are those assets held in perpetuity and which have no determinable useful life and there are often restrictions regarding their sale. Examples of South Somerset's community assets are Ninesprings and land at Ham Hill.

Component Accounting
is when significant components of non-current assets are depreciated separately over their useful life.

Comprehensive Income and Expenditure Statement (CIES)
consolidates all the gains and losses experienced by an authority during the financial year.

Consistency
is one of the fundamental accounting concepts. It requires accountants to treat similar items of income and expenditure the same way - both within an accounting period and from one accounting period to the next.

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 are thus 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 logical basis for apportioning these costs to services.

Creditors
are amounts of money SSDC 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 SSDC 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.

Easement
is a charge made for access rights over land owned by the Council.

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.

Emoluments
are the cash payments or payments in kind an employee is entitled to. Pension contributions are not an emolument.

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

Eurobonds
are debt contracts which records the borrowers' obligation to pay interest at a given rate and the principal amount of the bond specific dates.

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.

Financial Instruments Adjustment Account
is the account which holds the differences between the amounts credited to the Comprehensive Income and Expenditure Statement in accordance with the Code and the interest income required to be credited to the General Fund in accordance with statutory regulations relating to amortization on the discount of the early redemption of PWLB loans.

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.

Gilt
is a bond issued by the government which offers the investor a fixed interest rate for a predetermined set time.

Housing Benefits
is the national system for giving financial assistance to individuals towards certain housing costs. SSDC administers the scheme for South Somerset residents. The Government subsidizes 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 realizable value and include roads and footpaths.

Intangible Assets
are assets that do not have physical substance but are controlled by the Council as a result of a past event.

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

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

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

Liability
must be included in the financial statements when SSDC 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.

Liquid Resources
are current assets which are readily convertible into cash at, or close to its carrying amount.

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

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

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

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

Money Market Funds
are short term deposits that are deposited into a mutual fund that buys securities.

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

National Non-Domestic Rate (NNDR) Income (also known as Business Rates)
Business Rates are collected locally, some of which is retained, and some is paid to Somerset County Council, Devon & Somerset Fire and Rescue, Central Government and BANES as lead authority of the Somerset Pool

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

New Homes Bonus
is a grant paid by central government to local councils for increasing the number of homes and their use. The New Homes Bonus is paid each year for 6 years. It is based on the amount of extra Council Tax revenue raised for new build homes, conversions and long- term empty homes brought back into us. There is also an extra payment for providing affordable homes.

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; Avon and Somerset Police Authority; Devon and Somerset Fire and Rescue Authority and the parishes obtain their revenue income from the District Council’s Collection Funds.

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 which lends money to the public sector.

Prudence
is one of the main accounting concepts. It ensures SSDC only includes income in its accounts if it is sure it will receive the money.

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 Transaction
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 SSDC's discretion.

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

Revaluation Reserve
is a reserve which records the unrealised revaluation gains arising since 1 April 2007 from holding non-current assets.

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
are capital grants made by SSDC to another organization or person. This counts as capital expenditure but it does not create an asset that belongs to SSDC. The expenditure is charged to the balance sheet, but it is then reversed out through the Capital Adjustment Account to the revenue account.

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

Slippage
is the term used mainly to describe capital payments occurring in later financial years than originally planned.

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

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