

South Somerset District Council



DRAFT Statement of Accounts 2017/2018



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Narrative Report to the Statement of Accounts

Introduction

The purpose of this narrative report is to provide information about the Council, its main objectives and strategies, how it has used its resources to meet these, and describe the principle risks it faces. It also aims to provide a simple and concise view of the Council's financial position and performance.

Organisational Overview and External Environment

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 square kilometres). South Somerset consists of a mixture of both sparsely inhabited rural areas and a network of market towns. The rural nature of the area is emphasised by the low population density of 1.7 persons per hectare (the England average is 4.1).

Some key facts about South Somerset from the 2011 census:

- Population of 165,000 (2015 mid-year estimates published in June)
- There are estimated to be 72,100 households in South Somerset (2015 mid-year estimates published in June)
- 70.29% of homes are owner occupied (38% owned outright)
- The majority of dwellings are detached - 36.6%, 27,750 in number (as in June 2016)
- Average household size is 2.3 (census 2011)
- 81.3% of residents self-reported being in very good or good health

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.

Further information about our district including detailed analysis of our community profile can be found on our website: <https://www.southsomerset.gov.uk/our-district/>

As a shire district, the Council delivers local services within a two-tier structure of principal local government authorities, with 'upper tier' services provided by Somerset County Council and 'lower tier' services provided by South Somerset District Council. The District Council is responsible for a range of services including (but not limited to):

- Housing policy and enabling
- Housing options and homelessness
- Planning
- Building regulation control and enforcement
- Waste collection and recycling
- Regulatory services such as environmental health and licensing
- Council tax and business rates administration
- Housing benefits
- Provision of off-street parking
- Electoral registration and elections
- Leisure and arts

In 2016 the Council agreed its strategic Council Plan for 2016 to 2021, setting out the Council's ambition to make major changes in the way it operates and delivers services, whilst continuing to deliver services and priority projects that meet the needs of our residents, visitors and businesses. Each year the Council updates its priorities to create an 'Annual Action Plan'.

The Council Plan outlines five broad areas of focus that will help us to achieve our vision for South Somerset: **a place where businesses flourish, communities are safe, vibrant and healthy; where residents enjoy good housing and cultural, leisure and sporting activities.**

Our Strategy for 2017/18: To create a modern, responsive, pro-active council serving South Somerset through a Transformation Programme, developing the culture and working practices needed to support a flexible, customer focused council with a modern, commercial approach.

To achieve these outcomes we have invested £7.5m over the life of the Transformation Programme with recurring net annual savings of £2.5m resulting in a payback period of 3 years.

The Transformed Council will be:

One Team, Ambitious for South Somerset



This is a major change programme for the Council. During the transition we will manage our performance to minimise disruption to customer services and to deliver our current and ongoing work programmes of agreed projects.

Governance

The Council has in place a Transformation Board which is responsible for the key decisions in delivering the Transformation Programme. This programme is one of the key drivers for change in delivering quality, customer focussed and financially sustainable services in future. This is explained in more detail below.

In addition, during 2017/18 the Council approved new governance arrangements that provide the framework for decision making for the delivery of the Commercial Strategy that was adopted by the Council in August 2017. The approach includes a robust investment appraisal process that enables business cases to be considered by an Investment Assessment Group (IAG), which then makes recommendations to the Chief Executive and Leader, or for larger investments, the District Executive to approve investments. This governance arrangement has so far proved to be effective as the Council has made good early progress in delivering the strategy.

The Annual Governance Statement (AGS) is published alongside the Statement of Accounts on the Council's website. There are no significant issues arising from the AGS, and the action plan recognises the strategic and operational planning processes are in the process of being updated to meet future ambitions of the transformed organisation.

Operating Model

The Transformation Programme is a comprehensive approach to:

- Help us invest in a successful future instead of "salami slicing" our services
- Protect our services for our communities and customers
- "Future-proof" by creating an organisation and culture that can continually change and improve
- Attract the next generation by providing opportunities in new and different roles

We have redesigned our operating model to ensure the way we are organised and how we deliver services is fit for purpose. The following charts provide a high level picture of how we will operate in future.

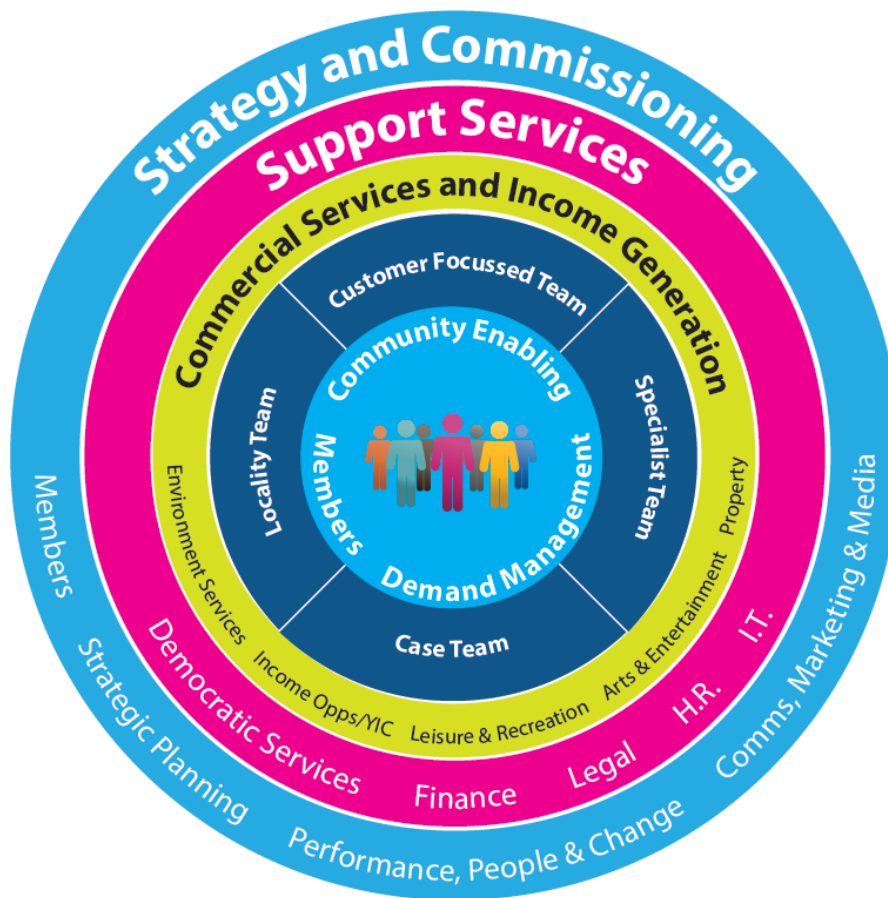
Strategy and Commissioning is about responding to political will: turning this into an evidence-based strategy, planned services, actions and projects.

Support Services are about providing business-like and efficient support and advice to internal customers across the Council in order to improve performance and enable them in delivering the Council's ambitions.

Commercial Services and Income Generation is about commercially driven services that provide additional income generation opportunities to the Council and enable growth of the local economy aligned to the Council's ambitions.

Service Delivery is about delivering efficient, professional and commercially-minded services to the Council's external customers that are aligned to the Council's ambitions, managing performance to meet the desired outcomes.

Members are involved in the Strategic activity of the Council as part of Strategy and Commissioning. Customer need and community requirements are championed by members to form the direction and priorities that are then translated into appropriate strategies, outcomes, projects and initiatives by the Strategy and Commissioning function. Members are also the customer of the Council, sometimes acting on behalf of residents, to request services and outcomes.



Resources

The Council approved its Revenue Budget for 2017/18 in February 2017, and Capital Programme in April 2017.

2017/18 Band D Council Tax
£157.48

Increase of 3.27%

Spending on Services

£17.4m

Funded By

Council Tax £9.2m
Business Rates £3.7m
Government Grants £1.0m
New Homes Bonus £3.0m
Reserves £0.5m

Budget allocations can be updated during the year where Council and Executive agree changes to original budgets. The final Net Budget at the end of the financial year was £18.0m.

The Capital Programme budget approved in April 2017 totalled £15.3m, profiled across 2017/18 and 2018/19. In addition, the Council has supported in principle the investment of up to £75m in land, property and renewable energy schemes in support of the income generation priority.



Through additional approvals through the year, notably in respect of the creation of a commercial investment fund and other additional schemes, the final Capital Programme budget at the end of the year is £19.054m.

Performance

Revenue Budget

The net expenditure for the year 2017/18 was £17.3m, resulting in an underspend of £663k (3.7%). The underspend has supported carry forward of spending commitments into 2018/19, setting aside funds in specific reserves to fund transformation project costs and transitional arrangements, as well as increasing general reserves. The following table summarises performance against the final budget for the year.

	Final Budget £'000	Net Spend / Funding £'000	Difference £'000
Net Expenditure on Services:			
Chief Executive and Corporate Costs	1,419	1,974	555
Support Services	5,345	4,799	(546)
Service Delivery	2,557	1,853	(704)
Communities	1,282	1,173	(109)
Commercial Services and Income Generation	7,379	7,520	141
Net Budget	17,982	17,319	(663)
Funded By:			
Council Tax	9,201	9,368	167
Business Rates	3,720	4,747	1,027
General Government Grants	993	993	0
New Homes Bonus	3,000	3,896	896
Reserves	1,068	(1,685)	(2,753)
Net Funding	17,982	17,319	(663)

The significant differences relate to:

- Funding for Transformation project including contingency for transitional costs £646,000
- Increased income from investments £130,000
- Increased income from housing benefit subsidy and debt recovery £341,000
- Net additional income from new commercial investment properties £130,000
- Higher than estimated planning fees and reduce development control costs £303,000
- Reduction in costs for temporary accommodation for homelessness and reduction in bad debt £210,000
- Streetscene service additional operational income £116,000
- Additional garden waste collection and recycling income £192,000
- Arts and Entertainment shortfall in catering income and ticket sales and cost of improvements £369,000

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 following information reconciles total expenditure and total income reported for the year.

Where the Money Goes	£'000	Where the Money Comes From	£'000
Employees	18,823	Council tax payers – SSDC Services	9,368
Premises	3,123	Council tax payers – town and parish council precepts	5,025
Transport	1,015	Business Rates	4,747
Supplies and Services	7,565	Central Government Support	7,483
Third party payments	6,201	Government Subsidy	38,426
Benefit claimants	36,998	Other grants and contributions	595
Capital and financing charges	6,210	Sales, fees and charges	13,582
Town and parish precepts	5,129	Investment income	608
		Share of right to buy receipts and other easements	1,432
Total Spend	85,064	Total Income	81,266
		Deficit for the Year	3,798

Although the table shows a reported deficit for the year within the Comprehensive Income Statement, after taking into account appropriate technical accounting adjustments in the movement of reserves statement the overall position reflects the underspend shown above with an increase in general balances of £717k.

Capital Budget

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

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

Our final capital budget for the year totalled £18.013m, with a further £84.608m committed in the approved capital programme in subsequent years. Total spend in the year amounted to £16.924m, which included:

- £11.923m on the acquisition of investment properties.
- £1.186m on affordable housing and housing improvements.
- £1.476m on sports and leisure facilities.
- £1.139m on efficiency measures for delivery of future services.
- £0.860m on economic development schemes.

Where the Money Goes	£'000	Where the Money Comes From	£'000
Investment Property	11,923	Capital Receipts	6,195
Sports & Play Areas	488	Capital Fund	294
Vehicles, Plant & Equipment	551	Capital Grants from central government	774
Land & Buildings	1,863	Capital Grants from non-government funding partners	1,250
Housing Grants	1,186	Internally borrowed – not from Useable Capital Receipts	8,411
Intangible Assets	805		
Area Committees	108		
Total Spend	19,924	Total Financing	16,924

Reserves and Balances

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. This is reflected in the level of reserves and working balances we hold.

The General Fund Balance of £4.361m represents the accumulated revenue surpluses and should provide a financial cushion should anything unexpected happen that leads to unplanned expenditure. An assessment of our financial risks indicates that we should maintain this balance at or above £3.1m therefore the position as at 31 March 2018 remains above acceptable levels.

In addition we maintain a number of earmarked reserves. These are reserves we keep for specific types of expenditure and contingencies in the future. Examples include election costs, leisure centre repairs, grants and leisure development. We also currently hold £6.012m within a MTFP Support Fund to protect the annual budget from a sharp decline in New Homes Bonus funding, and £3.955m in Business Rates Volatility Reserve which protects against fluctuations in funding levels. We added £8.109m to earmarked reserves during the course of the year, but also spent £4.711m on specific projects. As at 31 March 2018 we have £18.176m of these earmarked reserves for use in future years.

We also held £23.339m in our capital receipts reserve, which is accumulated funding from asset sales that can be reinvested in our capital programme priorities.

Achievements

Our priorities are set out in the Corporate Plan 2016-21. This is summarised as follows:

'Tackling the Challenges': Council Plan on a Page 2016-21

Our Vision for South Somerset: a place where businesses flourish, communities are safe, vibrant and healthy; where residents enjoy good housing and cultural, leisure and sporting activities.

<p>Our Aims:</p> <p>South Somerset District Council will be a confident, resilient and flexible organisation, protecting and improving core services, delivering public priorities and acting in the best long-term interests of the district. We will:</p> <ul style="list-style-type: none"> • Protect core services to the public by reducing costs and seeking income generation. • Increase the focus on Jobs and Economic Development. • Protect and enhance the quality of our environment. • Enable housing to meet all needs. • Improve health and reduce health inequalities. 	<p>Our Values:</p> <ul style="list-style-type: none"> • Putting the customer and community first when developing plans and services • Supporting people and communities, enabling them to help themselves. • Being open, transparent and with greater accessibility to those that need to use Council services. • Working with partners to improve services, efficiencies, resilience and influence. • Embracing innovation and improved technology to improve customer service and access. • Empowering a confident, flexible workforce.
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Our Focus – Making a Difference Where it Counts

<p style="text-align: center;">High quality cost effective services</p> <p>In order to protect front line services we will:</p> <ul style="list-style-type: none"> ➢ Transform customer services through technology. ➢ Actively manage assets and resources to ensure the best financial or community return. ➢ Seek business opportunities for the council. ➢ Work with partners to achieve economies, resilience and influence. 	<p style="text-align: center;">Economy</p> <p>To promote a strong economy with thriving urban and rural businesses we will:</p> <ul style="list-style-type: none"> ➢ Work with businesses and use our assets to grow our economy. ➢ Advise and support initiatives that ensure worker skills meet the employers needs. ➢ Lobby for and support infrastructure improvements to enable growth. ➢ Capitalise on our high quality culture, leisure and tourism opportunities to bring people to South Somerset. 	<p style="text-align: center;">Environment</p> <p>To keep South Somerset clean, green and attractive we will:</p> <ul style="list-style-type: none"> ➢ Increase recycling. ➢ Maintain Country Parks and open spaces to promote good mental and physical health. ➢ Keep streets and neighbourhoods clean and attractive. ➢ Continue to address the impact of flooding. ➢ Promote a high quality built environment in line with Local Plan. ➢ Support communities to develop local, parish and neighbourhood plans. 	<p style="text-align: center;">Homes</p> <p>To work with partners to enable the provision of housing that meets the future and existing needs of residents and employers we will:</p> <ul style="list-style-type: none"> ➢ Minimise homelessness and rough sleeping. ➢ Work with the private rented sector to improve the standard and availability of rented accommodation. ➢ Tackle fuel poverty. ➢ Enable people to live independently for as long as they are able. 	<p style="text-align: center;">Health and Communities</p> <p>To build healthy, self-reliant, active communities we will:</p> <ul style="list-style-type: none"> ➢ Support communities so that they can identify their needs and develop local solutions. ➢ Target support to areas of need. ➢ Help people to live well by enabling quality cultural, leisure, play, sport & healthy lifestyle facilities & activities. ➢ Work with partners to tackle health issues such as diabetes and hypertension. ➢ Help keep our communities safe.
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Over the last year the Council has made good progress in meeting its corporate priorities and delivering quality services to the community. Our achievements last year include:

High quality and cost effective services:

- Delivery of our Transformation Programme continued to make good progress reducing our overall cost of services by £2.5m and creating the new operating model. Recruitment of Phase One - the new Leadership and Management team and Support Services was completed in January 2018.
- We acquired three investment properties during the year contributing to our target of £2.2m net additional income by taking a more commercial approach.
- We determined 1900 applications for planning consent, 94% within the target time and 84% were submitted through the on-line portal.
- Handled around 2500 land charge search requests from property buyers, our overall average turnaround time for the year was 4.5 working days.
- Handled 149,336 calls to our customer contact centre, answering 81% of calls within 2 minutes and helped 24,000 customers who visited our offices of which 45% were seeking help with housing and benefits.
- 53,210 transactions were completed through the SSDC website using our on-line forms, an increase of 58% since 2014.

Economy:

- The Yeovil Refresh – an overarching and ambitious plan for the regeneration of Yeovil Town Centre - was launched for public consultation in February 2018, stimulating interest and collaboration from a range of sectors, individuals and organisations.
- The construction of Yeovil Innovation Centre phase 2 commenced in December 2017. The 9000 square foot extension to the existing building is scheduled for completion in August 2018, and will accommodate around 80 new work spaces.
- Tailored advice and support was provided to 111 small businesses during the year.
- Working in partnership we achieved £11m of government funding for Western Corridor Relief Road in Yeovil to enhance the flow on Yeovil's roads, the scheme is likely to be completed in 2018/19.
- New options, development appraisals and scheme designs made progress for the regeneration of the Boden Mill site, Chard and the adjacent SSDC land holdings.
- A Literature Exchange was organised in March 2018 attracting over 50 local tourism businesses to network and distribute their marketing materials for the 2018 seasons during English Tourism Week.

Environment:

- 2524 volunteering days were donated at our countryside sites at Yeovil, Chard and Ham Hill to help maintain these special places that are free for residents and visitors to enjoy. We also maintained a network of 54 neighbourhood parks and open spaces.
- We introduced a policy to help eliminate single use plastics within Council operations.
- Yeovil Country Park gained a five star Best Park Award from the Royal Horticultural Society.
- We empty 1255 litter & dog waste bins located in streets and parks across the district and provide a garden waste collection service through the Somerset Waste Partnership to 12,800 subscribing households (as at September 2017).

Homes:

- 39 new affordable homes were created through partnership working and new development.
- We took action to prevent homelessness for 201 households and achieved an average stay of only one day for families placed in bed and breakfast accommodation.
- We provided secure and trusted support for 2,075 Careline customers
- Installed 256 free smoke detectors into the homes of vulnerable residents
- Installed 144 key safes for residents, helping carers, families and the emergency services respond quickly to our customers needing help at home
- Working in partnership, we helped 53 South Somerset households gain financial support to improve energy efficiency.
- Our Housing Advice Centre at Petters Way supported residents with help and advice for housing and debt issues.
- Helped 506 cases for welfare benefits clients, securing £604,769 in annual benefits plus £320,916 in lump sum payments to which residents were entitled

Health and communities:

- Westlands has completed its first year of operation under the management of SSDC completing building work on the Entertainment Venue and construction of the Cricket and Bowls Pavilion and bringing the complex back into full use by residents and visitors.
- We sold 141,540 tickets for events and entertainment at the Octagon Theatre and Westlands Entertainment Venue (with 60% tickets were bought online – a new record!) In addition we were supported by around 12,800 hours of volunteering across these two major arts venues.
- 71 locally led projects were supported across the district with our investment into the community totalling £148,000.
- To help keep our communities thriving, healthy and safe we licensed over 950 premises and taxis, and issued over 600 permissions for local events and festivals.
- We cared for play and youth facilities across the district carrying out 3,300 safety inspections and creating new play and youth facilities at 11 locations with a total of £415,500 invested, of which £331,500 was through SSDC.
- Supported Citizens Advice South Somerset (CASS), SPARK and Access for All to provide unique and vital services to the communities and residents of South Somerset through a total investment of £205,000.

Risks and Opportunities

There are some inherent risks in our financial estimates and assumptions including

- Inflation – rising inflation could place additional pressure on pay settlements and prices for purchases of goods, services and assets.
- Delivery of savings – we are confident in the delivery of transformation savings and have built these into budget plans. However if the savings are not delivered in full or are delayed this will create budget pressure.
- Demand volatility – fluctuation in costs and income as a result of changes in demand led services and usage (e.g. homelessness, planning, building control, parking, and garden waste).
- Business Rates Retention – forecasts of retained business rates notoriously difficult to predict with accuracy and can therefore change from year to year. 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.
- Funding settlement – continued austerity and greater reductions in funding will add further financial pressures.
- New Homes Bonus (NHB) – the amount of funding attracted under new homes bonus for housing delivery has reduced, and Government has indicated it will continue to keep this under review. There is a risk that this will reduce further as government seeks to address other funding pressures such as social care.
- Economic slowdown – impact on business rates and NHB as well as income from fees and charges.
- Building a commercial investment portfolio brings new risks in terms of managing the performance of the portfolio. We are managing risk by building a balanced portfolio and using appropriate resources and expertise to support robust decisions and ongoing management of the portfolio.
- Treasury performance – we have invested more of our cash reserves in strategic financial instruments that we plan to hold for the long term and deliver a higher return. We access professional and specialist treasury advice to ensure risks are appropriately managed, whilst taking the opportunity to increase our income.

We manage these risks by ensuring our budget estimates and information used for financial decision making are robust and realistic, and by maintaining appropriate reserves and balances.

Financial Strategy

- Treasury approach
- Commercial approach
- Take into account government policy/legislation – NHB, BRR, Homelessness, Brexit, GDPR
- Stakeholder engagement in formulating strategy and resource allocation

The Council approved a new Financial Strategy in September 2017. The strategy responds to the ongoing and increasing financial challenges within the local government sector, and builds on previous approaches agreed including the Efficiency Strategy agreed in 2016. The key themes are:

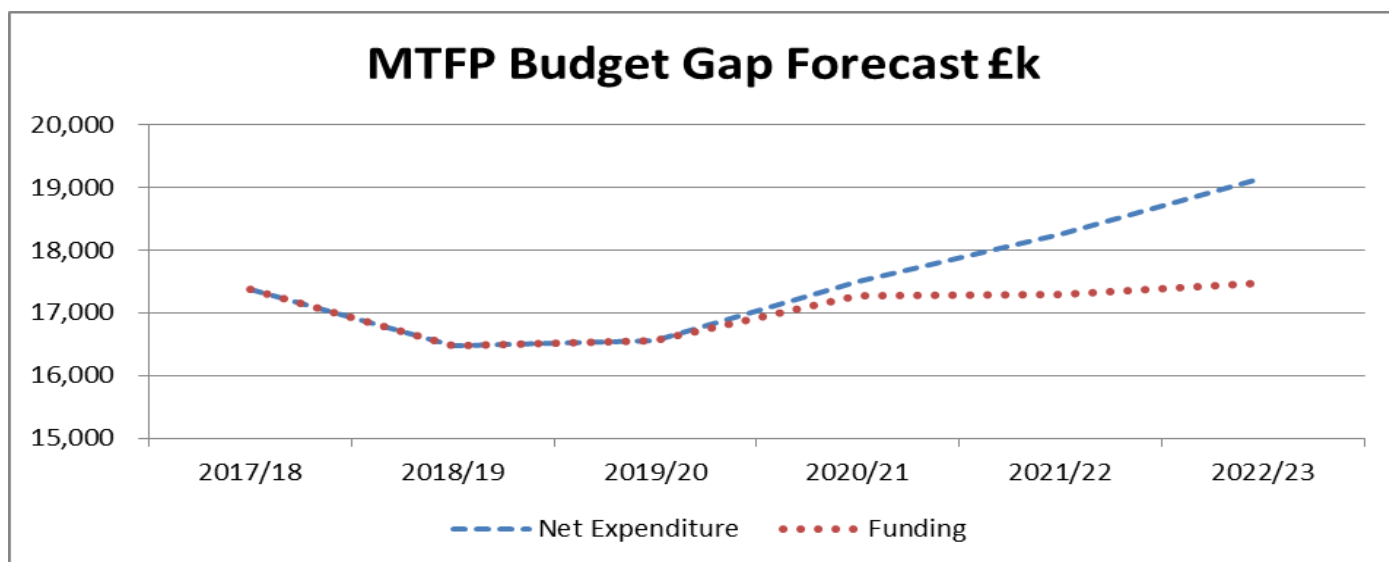
- a) **Challenging existing costs** estimates and assumed “unavoidable” cost increases
- b) Ensuring **clear service priorities** that demonstrably align with corporate strategy and plans
- c) Maximising operational efficiency through **transformation** of services and ways of working
- d) Taking a more **commercial approach** and increasing income yield by 5% per year
- e) Increasing the **income yield from financial investments** as part of a prudent treasury management approach
- f) **Investing in property, energy and new services to generate additional income** that can be reinvested to maintain and improve services to our community

The strategy seeks to deliver ongoing annual savings of up to £6m by 2022/23. The £6m target takes into account the budget gap identified in financial projections within the Medium Term Financial Plan together with an allowance for risk of further spending pressures in future. The target includes:

- £2.50m transformation programme
- £2.25m income generation largely through commercial investment property schemes
- £0.75m treasury cash investment income
- £0.30m service sales, fees and charges income
- £0.20m further service cost efficiency

Outlook

By the time the Council set its 2018/19 budget in February 2018, £3.1m of savings have been built into the Medium Term Financial Plan and with balanced budgets projected for both 2018/19 and 2019/20. The updated budget estimates including these savings and other changes has led to the forecast budget gap in 2022/23 reducing to £1.7m. Delivering the remaining savings target of £2.9m (£6m less £3.1m already delivered) will provide a healthy, sustainable financial position for the foreseeable future including resilience to new pressures and opportunities for further investment in local priorities.



Like all local authorities, the Council faces the ongoing challenge of delivering local services and priorities with reducing resources.

The local government funding regime continues to be reviewed by Government and the sector, with future grant funding and arrangements for local retention of business rates likely to change in future. The Council accepted a four year funding settlement from Government for the period 2016/17 to 2019/20, which provided certainty of the pace of funding reduction for a number of grants.

The impact of changes in the new homes bonus grant methodology had a major impact in the total grant funding in 2018/19 which saw the grant almost halved to £2m. In 2018/19 SDC experienced the biggest

reduction in 'core spending power' of any local authority in the country, at -10.3%.

As set out above the Council's financial strategy recognises this challenge and we have made good progress in delivering financial resilience and protecting services.

The Transformation programme is a major change in how it delivers services. The implementation is phased over two years with phase 1 completed in 2017/18 and phases 2 and 3 to be completed during 2018/19. The change in organisational structure will be fully operational by April 2019 with the majority of technology investment and new processes expected to be in place by then. It is inevitable that such a major change programme increases operational risks and the approach being taken seeks to manage these risks and minimise any disruption for our customers and communities. The costs of the programme remain within budget and we are confident the anticipated savings will be delivered in full.

Within our financial strategy and plan we aim to reduce our reliance on new homes bonus funding for the delivery of day to day services. In 2018/19 we have used £3m (including a top of from the MTFP Support Fund) and the plan is to reduce this to £2m per year by 2022/23. However, we will review this in future with the aim of redirecting new homes bonus towards our key priorities such as investment in regeneration schemes. The delivery of efficiencies and further income generation will be fundamental to enable this to happen whilst continuing to protect services.

The commercial strategy, which has started to deliver new income in 2017, is part of the Council's new vision of creating more income generation opportunities, using our resources to make investments which provide a better return so we can inject more money into the services we deliver for our communities. Our strategy is to protect and improve core services, deliver public priorities and act in the best long-term interests of the district. The Council has committed a significant investment fund for this purpose, which will be financed through a combination of reserves and borrowing. The Council has been debt-free for many years, but we expect to borrow during 2018/19 in order to meet our core objectives and service priorities.

The commercial strategy and treasury strategy are interlinked, and we have worked with our treasury advisors to review our cash investments with the aim of increasing investment income. Again this is designed to deliver increased income to protect services whilst ensuring risks are effectively managed.

A new Somerset Business Rates Pool has been created from April 2018, comprising the County Council and five district councils in Somerset, including SSDC. This seeks to optimise pooling arrangements and retain more business rates funding locally. Initial forecasts indicate we could gain in excess of £0.5m. This funding has not been incorporated in the annual budget as it will not be confirmed until the end of the financial year, and the Council has recently agreed to the principle of investing this funding to support our regeneration priorities.

The Government will continue to consult with local authorities during 2018 on the future of local government financing. Our financial planning recognises significant areas of uncertainty including:

- Spending Review 2019
- Impact of moves to 75% / 100% business rates retention
- Any potential further changes by Government to New Homes Bonus allocations
- Impact of Brexit on local government, the economy and local communities

In May 2018 Somerset County Council has indicated it wishes to start discussions with district councils regarding options for delivering local government services through unitary council arrangements, in the face of its ongoing financial challenges. It is not possible at this very early stage to include any financial provisions or budget allowances. This will be kept under review as discussions continue.

Explanation of Accounting Statements and Basis of Preparation

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2018. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements are prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, which in turn is underpinned by International Financial Reporting Standards.

The Statement of Accounts has been prepared on a going concern basis. The Council's S151 Officer has

completed a detailed assessment of a range of factors to determine the financial health of the organisation and assess key risks to the affordability of service provision for the foreseeable future. The conclusion following this assessment is that the Council continues to operate as a going concern.

The main statements are:

- The **Comprehensive Income and Expenditure Statement** – this records all of the Council's income and expenditure for the year. The top half of the statement provides an analysis by service area in line with the Council's operating model. The bottom half of the statement deals with corporate transactions and funding. Expenditure represents a combination of:
 - services and activities that the Council is required to carry out by law (statutory duties) such as street cleaning, planning and registration
 - discretionary expenditure focussed on local priorities and needs
- The **Movement in Reserves Statement** is a summary of the changes to the Council's reserves over the course of the year. Reserves are divided into "useable", which can be invested in capital projects or service delivery and improvements, and "unusable" which must be set aside for specific purposes.
- The **Balance Sheet** is a "snapshot" of the Council's assets, liabilities, cash balances and reserves at the year-end date.
- The **Cash Flow Statement** shows the reason for changes in the Council's cash balances during the year, and whether that change is due to operating activities, new investment, or financing activities (such as borrowing and other long term liabilities).

There is also a supplementary statement:

- The **Collection Fund**, which summarises the collection and distribution of council tax and business rates to the police, fire service, county council, town and parish councils, central government as well as for ourselves.

The Notes to these financial statements provide more detail about the Council's accounting policies and individual transactions.

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 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the s151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the s151 Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The s151 Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts and the Annual Governance Statement other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy,

efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls. We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 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 Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

Responsibilities of the Authority, the s151 Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 17, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the s151 Officer. 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 2017/18, which give a true and fair view, and for such internal control as the s151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the s151 Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Audit Committee are Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's 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 criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Authority

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.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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 have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects 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 criterion 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 2018.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements – Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Barrie Morris

for and on behalf of Grant Thornton UK LLP, Appointed Auditor
2 Glass Wharf, Temple Quay, Bristol, BS2 0EL

19 July 2018

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.

Certification of the Accounts

This Statement of Accounts presents a true and fair view of the financial position of South Somerset District Council at the 31 March 2018 and its income and expenditure for the year ended 31 March 2018.

Signed:

P Fitzgerald ACMA, CGMA
S151 Officer

19 July 2018

Approval of the Accounts

This Statement of Accounts will be approved by resolution of the Audit Committee in July 2018 under powers allocated by the constitutional arrangements of the Council, and signed by the Chair of Audit Committee.

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. 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 2017/18, 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 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 fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and 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 of 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 Fund 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 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, i.e. 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 for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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 (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

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

- Instruments with quoted market 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 (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of

the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains 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 (e.g. 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 non-current 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 revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and 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
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- All other assets – 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 previously recognised losses 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 non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

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 Statement 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 Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

20. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring 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 or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out

the amounts charged so 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 (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

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.

Gross Expenditure year ended 31 March 2017	Gross Income year ended 31 March 2017	Net Cost of Services year ended 31 March 2017	Service		Gross Expenditure year ended 31 March 2018	Gross Income year ended 31 March 2018	Net Cost of Services year ended 31 March 2018
£'000	£'000	£'000			£'000	£'000	£'000
1,657	(15)	1,642	Chief Executive		2,887	(1)	2,886
51,001	(44,835)	6,166	Director of Support Services		45,215	(39,672)	5,543
9,121	(3,224)	5,897	Director of Service Delivery		7,144	(3,056)	4,088
1,765	(172)	1,593	Communities		1,545	(153)	1,392
21,219	(9,058)	12,161	Director of Commercial Services and Income Generation		19,715	(9,695)	10,020
84,763	(57,304)	27,459	Cost of Services		76,506	(52,577)	23,929
4,847	(1,180)	3,667	Other Operating expenditure	10	5,119	(1,432)	3,687
	(43)	(43)	Net Loss/(Gain) on Disposal of Property, Plant and Equipment	12		(25)	(25)
2,779	(630)	2,149	Financing and Investment	13	3,311	(608)	2,703
	(27,188)	(27,188)	Taxation and Non-Specific Grant Income	14		(26,624)	(26,624)
92,389	(86,345)	6,044	(Surplus)/Deficit on Provision of Services		84,936	(81,266)	3,670
		(2,205)	(Surplus)/Deficit on revaluation of Property, Plant and Equipment	32			(527)
		113	(Surplus)/Deficit on revaluation of Available for Sale Financial Assets	32			(131)
		15,025	Remeasurement of the Net Defined Benefit Liability	46			(9,204)
		(8)	Share of Other Income and Expenditure of Joint Operations	42			(159)
		12,925	Other Comprehensive Income and Expenditure				(10,021)
		18,969	Total Comprehensive Income and Expenditure				(6,351)

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 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 31)	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)
Movement in reserves during 2017/18									
Total Comprehensive Income and Expenditure	3,668	0	3,668	0	0	(159)	3,509	(9,861)	(6,352)
Adjustments between accounting basis and funding basis under regulations (note 9)	(6,350)	0	(6,350)	4,592	(569)	0	(2,327)	2,327	0
Net Increase/Decrease before transfers to Earmarked Reserves	(2,682)	0	(2,682)	4,592	(569)	(159)	1,182	(7,534)	(6,352)
Transfers (to)/from Earmarked Reserves (Note 31)	3,399	(3,399)	0	0	0	0	(0)	0	(0)
(Increase)/Decrease in 2017/18	717	(3,399)	(2,682)	4,592	(569)	(159)	1,182	(7,534)	(6,352)
Balance at 31 March 2018	(4,361)	(18,176)	(22,537)	(25,268)	(1,038)	(767)	(49,610)	23,993	(25,617)

Balance Sheet (Brackets represent liabilities)

The Balance Sheet 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 1 April 2016 (restated)	As at 31 March 2017 (restated)			As at 31 March 2018	
	£'000			£'000	£'000
52,922	53,647	Property, Plant & Equipment	15	53,325	
6,061	6,004	Investment Properties	17	17,633	
127	73	Intangible Assets	20	839	
34	0	Assets Held for Sale	21	0	
600	608	Investment in Joint Operations		767	
1,748	1,763	Heritage Assets	22	1,763	
7,245	9,944	Long Term Investments	23	7,164	
538	1,736	Long Term Debtors	24	1,278	
69,275	73,775	TOTAL LONG TERM ASSETS			82,769
40,494	42,142	Short Term Investments	23	25,650	
98	127	Inventories		2,488	
8,660	5,145	Short Term Debtors	25	7,178	
547	473	Cash & Cash Equivalents	26	1,293	
49,799	47,887	CURRENT ASSETS			36,609
(6,768)	(10,084)	Short term Creditors	27	(7,299)	
(6,768)	(10,084)	CURRENT LIABILITIES			(7,299)
(2,069)	(2,216)	Provisions	29	(1,349)	
(3,222)	(3,336)	Developers Contributions Deferred	30	(3,799)	
(67)	(157)	Long Term Liabilities – Creditors	28	(95)	
(136)	(133)	Long Term Liabilities – Finance Lease	44	(81)	
(68,578)	(86,471)	Liability related to defined benefit pension scheme	46	(81,138)	
(74,072)	(92,313)	LONG TERM LIABILITIES			(86,462)
38,234	19,265	NET ASSETS			25,617
(56,837)	(50,184)	Usable Reserves	31		(48,843)
(600)	(608)	Usable Reserve – Share in Joint Operations	31/42		(767)
19,203	31,527	Unusable Reserves	32		23,993
(38,234)	(19,265)	TOTAL RESERVES			(25,617)

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 2017 £'000		Year Ended 31 March 2018 £'000
(6,044)	Net surplus/(deficit) on the provision of services	(3,669)
8,681	Adjustments to net surplus or deficit on the provision of services for non-cash movements (note 34)	(1,108)
(3,525)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (note 34)	(1,744)
(888)	Net cash flows from operating activities	(6,521)
(4,210)	Investing Activities (note 35)	7,393
5,024	Financing Activities (note 36)	(52)
(74)	Net increase or decrease in cash and cash equivalents	820
547	Cash and Cash Equivalents (including bank overdraft) at 1 April (note 26)	473
473	Cash and Cash Equivalents at 31 March (note 26)	1,293

Notes to the Core Financial Statements

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

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 on the basis of its reportable segments. These reportable segments are based on the authority's internal management and reporting structure which changed during 2017/18. The comparative figures for 2016/17 have been restated onto the new structure. This note shows how the net expenditure and income has been restated.

These changes will also have an effect on the Expenditure and Funding Analysis and other sections of the accounts.

Old Reporting Classification	As reported in the CIES 2016/17 £'000	Adjustments between old and new internal reporting classification £'000	As Restated 2016/17 £'000	New Reporting Classification
Net Expenditure				
Strategic Management & Transformation	1,532	(1,532)	0	
	0	1,642	1,642	Chief Executive
Finance & Corporate Services	4,815	(4,815)	0	
Legal & Corporate Services	1,351	(1,351)	0	
	0	6,166	6,166	Director of Support Services
Economy	2,613	(2,613)	0	
Policy & Performance	110	(110)	0	
Communities	1,594	(1,594)	0	
	0	1,593	1,593	Communities
Environment	8,914	(8,914)	0	
	0	5,897	5,897	Director of Service Delivery
Health & Wellbeing	6,530	(6,530)	0	
	0	12,161	12,161	Director of Commercial Services and Income Generation
Cost of Services	27,459	0	27,459	

Gross Expenditure				
Strategic Management & Transformation	1,547	(1,547)	0	
	0	1,657	1,657	Chief Executive
Finance & Corporate Services	49,078	(49,078)	0	
Legal & Corporate Services	1,923	(1,923)	0	
	0	51,001	51,001	Director of Support Services
Economy	4,611	(4,611)	0	
Policy & Performance	110	(110)	0	
Communities	1,766	(1,766)	0	
	0	1,765	1,765	Communities
Environment	15,918	(15,918)	0	
	0	9,121	9,121	Director of Service Delivery
Health & Wellbeing	9,810	(9,810)	0	
	0	21,219	21,219	Director of Commercial Services and Income Generation
Cost of Services	84,763	0	84,763	

Old Reporting Classification	As reported in the CIES 2016/17 £'000	Adjustments between old and new internal reporting classification £'000	As Restated 2016/17 £'000	New Reporting Classification
Gross Income				
Strategic Management & Transformation	(15)	15	0	
	0	(15)	(15)	Chief Executive
Finance & Corporate Services	(44,263)	44,263	0	
Legal & Corporate Services	(572)	572	0	
	0	(44,835)	(44,835)	Director of Support Services
Economy	(1,998)	1,998	0	
Policy & Performance	0	0	0	
Communities	(172)	172	0	
	0	(172)	(172)	Communities
Environment	(7,004)	7,004	0	
	0	(3,224)	(3,224)	Director of Service Delivery
Health & Wellbeing	(3,280)	3,280	0	
	0	(9,058)	(9,058)	Director of Commercial Services and Income Generation
Cost of Services	(57,304)	0	(57,304)	

Restatement of Property, Plant and Equipment

Following the creation of a new asset strategy and revisiting the purpose of holding various assets a number of properties were reclassified from property, plant and equipment to investment properties during the year. It was felt that the purpose that these properties were held for had not changed significantly from the previous year therefore should have been classified as investment properties in 2016/17. This is reflected in note 15 and 17.

The effect of this change on the 2016/17 balance sheet is shown below.

	Land & Buildings
Cost or Valuation as at 1 April 2016	6,242
Reclassification – Other	(6,242)
As at 31 March 2017	0
Accumulated Depreciation as at 1 April 2016	(238)
Depreciation charge	137
Derecognition – Reclassification	101
As at 31 March 2017	0
Net Book Values 1 April 2016	6,004
Net Book Value 1 April 2017	0

We have reviewed the revaluation and impairment movements to ascertain an estimate as to the value of the assets at 31 March 2017, and any further movements within 2017/18 and these have not been adjusted as the variance is considered not material.

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

The Council has yet to adopt several accounting standards which will be introduced in the 2018/19 Code. At the time of writing, the impact on our accounts is not fully known although based on our current arrangements it is likely to be immaterial.

3. Critical 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 2018 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 £189k 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 £406k.
Business Rates Appeals	The Authority has recognised a provision for outstanding Business Rates appeals of £1.261m. 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 £126k.
Arrears	At 31 March 2018, the Authority had a balance for sundry debtors of £2.231m. A review of significant balances suggested that an impairment of doubtful debts of £765k 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 £765k to be set aside as an allowance.

5. Material items of income and expenditure

There were no material items of income and expenditure during 2017/18.

6. Events after the balance sheet date

The Statement of Accounts was authorised for issue by the S151 Officer on 19th July 2018. 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.

2016/17			Service	2017/18		
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement
£'000	£'000	£'000	£'000	£'000	£'000	
709	933	1,642	Chief Executive	1,974	806	2,886
4,955	1,211	6,166	Director of Support Services	4,800	849	5,543
3,124	2,773	5,897	Director of Service Delivery	1,853	2,235	4,088
1,355	238	1,593	Communities	1,173	220	1,392
7,249	4,912	12,161	Director of Commercial Services and Income Generation	7,521	2,498	10,020
17,392	10,067	27,459	Net Cost of Services	17,321	6,607	23,929
(15,918)	(5,497)	(21,415)	Other Income and Expenditure	(20,003)	(255)	(20,259)
1,474	4,570	6,044	Surplus or Deficit	(2,682)	6,352	3,670
21,331			Opening General Fund Balance	19,857		
1,474			Less deficit on General Fund	0		
0			Add Surplus on General Fund	2,682		
19,857			Closing General Fund Balance at 31 March	22,539		

Notes to the expenditure and funding analysis

Adjustments between Funding and Accounting Basis 2017/18				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	(Note 1)	(Note 2)	(Note 3)	
	£'000	£'000	£'000	£'000
Chief Executive	(1)	86	721	806
Director of Support Services	(66)	276	639	849
Director of Service Delivery	2,163	289	(89)	2,363
Communities	128	59	33	220
Director of Commercial Services and Income Generation	2,579	264	(474)	2,369
Net Cost of Services	4,803	974	830	6,607
Other income and expenditure from the Expenditure and Funding Analysis	(4,004)	2,897	850	(255)
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	799	3,871	1,680	6,352

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	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	(Note 1)	(Note 2)	(Note 3)	
	£'000	£'000	£'000	£'000
Chief Executive	(1)	10	923	932
Director of Support Services	275	60	876	1,211
Director of Service Delivery Communities	2,781	62	(70)	2,773
Director of Commercial Services and Income Generation	244	14	(20)	238
	5,359	48	(495)	4,912
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

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 i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Note 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

	2016/17		2017/18	
	Revenues from external customers	Grants & Contributions	Revenues from external customers	Grants & Contributions
	£'000	£'000	£'000	£'000
Chief Executive	0	15	1	0
Director of Support Services	928	43,908	627	39,045
Director of Service Delivery	1,765	1,459	1,440	1,616
Communities	60	112	46	107
Director of Commercial Services and Income Generation	7,599	1,459	8,062	1,633
Total income analysed on a segmental basis	10,352	46,953	10,176	42,401

8. Expenditure and Income analysed by nature

	2016/17	2017/18
Expenditure/Income	£'000	£'000
Expenditure		
Employee benefits expenses	17,066	18,823
Other services expenses	66,755	59,207
Depreciation, amortisation, impairment	3,705	1,872
Interest Payments	17	42
Precepts and levies	4,842	5,114
Payments to housing capital receipts pool	5	5
Loss on the disposal of assets	0	0
Total Expenditure	92,390	85,063
Income		
Fees, charges and other service income	(58,485)	(54,009)
(Gain) on the disposal of assets	(43)	(25)
Interest and investment income	(630)	(608)
Income from council tax and NDR	(18,531)	(19,141)
Government grants and contributions	(8,657)	(7,483)
Total Income	(86,346)	(81,266)
Surplus or Deficit on the Provision of Services	6,044	3,797

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.

2017/18	Movement in Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserves	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000
Adjustments involving the Capital Adjustment Account:				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</i>				
Charges for depreciation, amortisation and impairment of non-current assets	(1,786)	0	0	(1,786)
Revaluation losses on Property, Plant and Equipment	(86)	0	0	(86)
Capital grants and contributions applied	1,950	0	75	2,025
Capital grants and contributions unapplied	644	0	(644)	0
Revenue expenditure funded from capital under statute	(2,723)	0	0	(2,723)
Movement in market value of Investment Property	(699)	0	0	(699)
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	(95)	0	0	(95)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>				
Statutory provision for the financing of capital investment	169	0	0	169
Capital expenditure charged against the capital fund	295	0	0	295
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	1,537	(1,537)	0	0
Use of Capital Receipts Reserve to finance capital expenditure	0	6,336	0	6,336
Transfer from the Deferred Capital Receipts reserve to the Capital Receipts Reserve upon receipt of cash	0	(212)	0	(212)
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)	(7,233)	0	0	(7,233)
Employer's pensions contributions and direct payments to pensioners payable in the year	3,362	0	0	3,362
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	(1,666)	0	0	(1,666)
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	1	0	0	1
TOTAL ADJUSTMENTS	(6,350)	4,592	(569)	(2,327)

2016/17 Comparative figures	Movement in Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserves	Capital Grants Unapplied	
	£'000	£'000	£'000	
Adjustments involving the Capital Adjustment Account:				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</i>				
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)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>				
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)

10. Other operating income and expenditure

Previous year 2016/17 £'000		Current year 2017/18 £'000
4,842	Parish council precepts and levies	5,114
5	Payments to the Government housing Capital Receipts Pool	5
4,847	Total Other Operating Expenditure	5,119
(1,180)	Easements and other Capital Receipts (Note 11)	(1,432)
3,667	Total Other Operating Income and Expenditure	3,687

11. Easements and other capital receipts

The Council received £1,400k in Right to Buy receipts (compared to £966k in 2016/17) and a further £352k in other capital receipts (£214k in 2016/17)

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

The net gain on disposal of plant, property and equipment amounts to £25k (compared to a net gain of £43k in 2016/17)

13. Financing and investment income and expenditure

Previous year 2016/17 £'000		Current year 2017/18 £'000
17	Interest Payable and similar charges	42
2,674	Net interest on the net defined benefit liability	2,897
89	(Surplus)/Deficit on Trading Undertaking (Note 37)	75
0	(Surplus)/Deficit on Investment Properties (Note 17)	296
2,780	Total Financing and Investment Expenditure	3,310
(630)	Interest receivable and similar income	(608)
2,150	Total Financing and Investment Income and Expenditure	(2,702)

14. Taxation and non-specific grant income

Previous year 2016/17 £'000		Current year 2017/18 £'000
(13,477)	Council tax income	(14,394)
(5,054)	Non domestic rates	(4,747)
(8,657)	Non ring-fenced government grants	(7,483)
(27,188)	Total Taxation and Non Specific Grant Income	(26,624)

15. Property, plant and equipment

Movement in 2017/18:

	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 2017	50,207	4,184	1,095	694		56,180
Additions	455	619	2	4		1,080
Disposals	(90)	(147)				(237)
Revaluation						
Increases/(decreases) recognised in the Revaluation Reserve	516	10				526
Revaluation						
Increases/(decreases) recognised in the surplus/deficit on the Provision of Services	(908)	(178)				(1,086)
Impairment (losses)/reversals recognised in the surplus/deficit on the provision of services	81					81
As at 31 March 2018	50,261	4,488	1,097	698	0	56,544
Accumulated Depreciation						
As at 1 April 2017	(1,510)	(921)	(103)			(2,534)
Depreciation charge	(1,369)	(362)	(16)			(1,747)
Depreciation written out to the surplus/deficit on the Provision of Services	792	114				905
Impairment (losses)/reversals recognised in the surplus/deficit on the Provision of Services						
Derecognition – Disposals	10	147				157
As at 31 March 2018	(2,077)	(1,022)	(119)	0	0	(3,219)
Net Book Value						
At 31 March 2018	48,183	3,466	978	698	0	53,325
At 31 March 2017	48,698	3,263	992	694	0	53,647

Comparative movements in 2016/17 (restated see Note 1)

	Total Land & Buildings	Furniture, Vehicles, Plant & Equipment	Infra- structure Assets	Com- munity Assets	Surplus Assets	Total Property Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
As at 1 April 2016	56,143	4,779	953	694	60	62,629
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	(6,209)	(33)				(6,242)
As at 31 March 2017	50,205	4,188	1,096	694	0	56,183
Accumulated Depreciation						
As at 1 April 2016	(1,707)	(1,852)	(88)	0	(1)	(3,648)
Depreciation charge	(1,186)	(453)	(16)			(1,655)
Depreciation written out to the Revaluation Reserve						
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 - Reclassification	97	4				101
As at 31 March 2017	(1,507)	(924)	(104)	0	0	(2,535)
Net Book Value						
At 31 March 2017	48,698	3,264	992	694	0	53,647
At 31 March 2016	54,436	2,927	865	694	59	58,981

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 2017.

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	978	698	1,676
Valued at current value at:					
1 st April 2013	0	0			0
1 st April 2014	141	0			141
31 st December 2015	8,410	1,249			9,659
31 st December 2016	5,016	1,584			6,600
31 st December 2017	34,616	633			35,249
Total	48,183	3,466	978	698	53,325

17. Investment Property

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

Previous year 2016/17 £'000		Current year 2017/18 £'000
0	Rental Income from Investment Property	(1,002)
0	Direct Operating Expenses arising from Investment Property	599
0	Net gains / Losses from fair value adjustments	699
0	Total	296

The following table summarises the movement in the fair value of Investment Property over the year:

Previous year 2016/17 £'000		Current year 2017/18 £'000
0	Balance at the start of the year	6,004
0	Additions	12,328
0	Net gains / (losses) from fair value adjustments	(699)
0	Disposals	0
	Transfers:	
6,004	(To)/from Property, Plant & Equipment	0
6,004	Balance at the end of the year	17,633

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

Previous year 2016/17 £'000	Significant Unobservable Inputs (Level 2)	Current year 2017/18 £'000
0	Commercial Building	17,283
0	Commercial Land	350
0	Investment Property	17,633

The valuation technique applied in respect of all the Fair Value figures contained in this report was the market approach. The inputs to this technique constitute Level 2 inputs in each instance. Level 2 inputs are inputs that are observable for the asset, either directly or indirectly. The inputs used took the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date.

18. Capital commitments

At 31 March 2018 the Council had a capital commitment of £210,000 relating to the installation of new software.

19. Construction contracts

At 31 March 2018 the Council had two large construction contracts in progress, which were:

- Construction of Yeovil Innovation Centre Phase 2 for £1,474,000
- Development of houses in Marlborough for £1,622,760

20. 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 2017 £'000	31 March 2018 £'000
Balance at start of year:		
• Gross carrying amounts	283	283
• Accumulated amortization	(156)	(209)
Net carrying amount at start of year	127	74
Additions	0	804
Disposals	0	0
Amortisation for the period	(53)	(39)
Amortisation on disposal	0	0
Net Carrying amount at end of year	74	839
Comprising:		
• Gross carrying amounts	283	1,087
• Accumulated amortization	(209)	(248)
Total Intangible Assets	74	839

21. Assets Held for Sale

31 March 2017 £'000		31 March 2018 £'000
34	Balance at start of year	0
0	Reclassification	0
0	Revaluations/(Impairments)	0
(34)	Assets Sold	0
0	Total Assets Held for Sale	0

22. Heritage Assets

31 March 2017 £'000		31 March 2018 £'000
1,748	Balance at start of year	1,763
15	Revaluations/(Impairments)	0
1,763	Total Heritage Assets	1,763

23. Long and short term investments

The investments as at 31 March 2018 consist of:

31 March 2017 £'000		31 March 2018 £'000
	Long Term Investments	
6,944	Bonds, Certificates of Deposit and Pooled Funds	4,164
3,000	Term Deposits >1 year to maturity	3,000
9,944	Total Long Term Investments	7,164
	Short Term Investments	
22,142	Bonds, Certificates of Deposit and Pooled Funds	17,650
20,000	Term Deposits <1 year to maturity	8,000
42,142	Total Short Term Investments	25,650
52,086	Total Investments	32,814

24. Long term debtors

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

31 March 2017 £'000		31 March 2018 £'000
1,391	Loans agreed by SSDC	954
11	Mortgages	8
291	Rights to receipts – long term lease	279
44	Car/bike/learning loans	37
1,737	Total Long Term Debtors	1,278

Further information relating to long term debtors is contained within Note 33 on Financial Instruments.

25. Short term debtors

31 March 2017 £'000		31 March 2018 £'000
186	Central Government Bodies	603
288	Other Local Authorities	250
1	NHS Bodies	0
4,670	Other Entities and Individuals	6,325
5,145	Total Short Term Debtors	7,178

26. 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 2017 £'000		31 March 2018 £'000
11	Cash held by the Authority	12
(539)	Bank current accounts	(949)
1,000	Short-term deposits with Business Reserve accounts and Money Market Funds	2,230
472	Total Cash and Cash Equivalents	1,293

27. Short-term creditors

31 March 2017 £'000		31 March 2018 £'000
(3,712)	Central Government Bodies	(1,283)
(681)	Other Local Authorities	(362)
0	NHS Bodies	(9)
(5,691)	Other Entities and Individuals	(5,653)
(10,084)	Total Short Term Creditors	(7,307)

28. Long term liabilities – creditors

31 March 2017 £'000		31 March 2017 £'000
(157)	Other Entities and Individuals	(95)
(157)	Total Long term Liabilities - Creditors	(95)

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

29. Provisions

31 March 2017 £'000		31 March 2018 £'000
(1,908)	Business Rates Provisions for Appeals	(1,261)
(88)	MMI Provision	(88)
(221)	Redundancy Provisions	(0)
(2,217)	Total Provisions	(1,349)

30. Developers contribution deferred

31 March 2017 £'000		31 March 2018 £'000
(3,222)	Balance at start of year	(3,336)
(944)	Additional Deposits	(1,439)
830	Applied Deposits	976
(3,336)	Total Developers Contribution Deferred	(3,799)

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

31. Usable reserves

31 March 2017 £'000		31 March 2018 £'000
(5,077)	General Fund Balance	(4,361)
(14,778)	Earmarked Reserves	(18,176)
(29,857)	Capital Receipts Reserve	(25,268)
(469)	Capital Grants Unapplied	(1,038)
(608)	Authority's share of Joint Operation	(767)
(50,789)	Total Usable Reserves	(49,610)

Capital Receipts Reserve

31 March 2017 £'000		31 March 2018 £'000
(34,989)	Balance of Usable Receipts at 1 April	(29,857)
(1,462)	Receipts from Sale of Assets	(1,752)
6,589	Receipts applied to finance Capital Expenditure	6,336
5	Amount payable to the housing capital receipt pool	5
(29,857)	Total Capital Receipts Reserve	(25,268)

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 2017 £'000		31 March 2018 £'000
(518)	Balance at start of year	(469)
(143)	Additional Capital Grants recognised through the Comprehensive Income and Expenditure Statement	(644)
192	Applied Deposits	75
(469)	Total Capital Grants Unapplied	(1,038)

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 2017/18. All earmarked reserves are revenue balances.

	Balance as at 31 March 2016 £'000	Transfers in 2016/17 £'000	Transfers out 2016/17 £'000	Balance as at 31 March 2017 £'000	Transfers in 2017/18 £'000	Transfers out 2017/18 £'000	Balance as at 31 March 2018 £'000
Capital Fund	(1,055)	(345)	155	(1,245)	(324)	295	(1,274)
Internal Borrowing Repayments	0	(23)	0	(23)	(35)	0	(58)
Cremator Replacement Reserve	(663)	0	12	(651)	0	102	(549)
Elections Reserve	(125)	(49)	25	(149)	(40)	0	(189)
Risk Management Reserve	(11)	0	0	(11)	0	11	(0)
Wincanton Sports Centre Reserve	(21)	0	0	(21)	0	0	(21)
Yeovil Athletics Track Repairs	(118)	(19)	12	(125)	(26)	0	(151)
Local Plan Inquiry Reserve	(81)	(16)	26	(71)	0	0	(71)
Planning Delivery Reserve	(26)	0	0	(26)	0	10	(16)
Save to Earn Reserve	(50)	0	50	0	0	0	(0)
Bristol to Weymouth Rail Reserve	(16)	0	5	(11)	(15)	0	(26)
Local Authority Business Growth	(37)	0	10	(27)	0	13	(14)
Yeovil Vision Reserve	(110)	(10)	0	(120)	(2)	0	(122)
IT Replacement Reserve	0	(17)	0	(17)	0	7	(10)
Voluntary Redundancy/ Transformation Fund	(412)	(1,359)	988	(783)	(3,342)	1,859	(2,266)
Insurance Fund	(53)	0	0	(53)	0	3	(50)
Treasury Management Reserve	(247)	0	147	(100)	0	0	(100)
Revenue Grant Reserve	(682)	(160)	169	(673)	(343)	228	(788)
Local Plan Implementation	(125)	0	0	(125)	0	0	(125)
Housing Benefits Reserve	(1,105)	(228)	657	(676)	(283)	334	(625)
Closed Churchyards Reserve	(10)	(2)	9	(3)	(15)	19	1
Deposit Guarantee Claims Reserve	(9)	0	2	(7)	(1)	3	(5)
Park Homes Replacement Reserve	(164)	0	0	(164)	0	0	(164)
MTFP Support Fund	(4,958)	(1,666)	0	(6,624)	(896)	1,508	(6,012)
Health Inequalities	(32)	0	0	(32)	0	0	(32)
Planning Obligations Admin Reserve	(35)	0	0	(35)	0	0	(35)
Local Strategic Partnership Reserve	(90)	(17)	84	(23)	0	15	(8)
Artificial Grass Pitch Reserve	(62)	(23)	0	(85)	(23)	0	(108)
Business Support Scheme	(165)	0	7	(158)	0	19	(139)
Flooding Reserve	(80)	0	80	0	0	0	(0)
Infrastructure Reserve	(962)	0	30	(932)	0	129	(803)
NNDR Volatility Reserve	(1,459)	(1,608)	1,758	(1,309)	(2,646)	0	(3,955)
Ticket Levy Income	(4)	(95)	93	(6)	(118)	89	(35)
Waste Reserve	(96)	(230)	96	(230)	0	15	(215)
Community Housing Fund	0	(263)	0	(263)	0	52	(211)
Total Reserves	(13,063)	(6,130)	4,415	(14,778)	(8,109)	4,711	(18,176)

32. Unusable reserves

31 March 2017 £'000		31 March 2018 £'000
(21,689)	Revaluation Reserve	(21,593)
(394)	Available for Sale Financial Instruments Reserve	(524)
(32,016)	Capital Adjustment Account	(35,872)
(300)	Deferred Capital Receipts	(291)
(15)	Financial Instruments Adjustment Account	0
86,471	Pensions Reserve	81,138
(780)	Collection Fund Adjustment Account	886
250	Accumulating Compensated Absences Adjustment Account	249
31,527	Total Unusable Reserves	23,993

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 2017 £'000		31 March 2018 £'000
(19,992)	Balance at start of year	(21,689)
(3,269)	Revaluation gains on non-current assets	(1,457)
1,064	Downward revaluation on non-current assets	931
10	Disposals of non-current assets	35
498	Current value depreciation transferred to Capital Adjustment Account	587
(21,689)	Total Revaluation Reserve	(21,593)

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 2017 £'000		31 March 2018 £'000
(507)	Balance at start of year	(394)
0	Loss on derecognition/maturity	
113	Revaluation gains/(losses) on available for sale financial instruments reserve	(130)
(394)	Total Available-for Sale Financial Instruments Reserve	(524)

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 2017			31 March 2018	
£'000	£'000		£'000	£'000
	(31,693)	Balance at start of year		(32,017)
(6,589)		Capital Expenditure financed from Capital Receipts	(6,336)	
(498)		Current value depreciation transferred from Revaluation Reserve	(587)	
(113)		Minimum Revenue Provision	(169)	
(155)		Revenue Contribution to capital	(295)	
(2,134)		Capital Grants and Contributions Applied	(2,024)	
	(9,489)			(9,411)
5,238		Less:		
		Write down of Revenue Expenditure funded from Capital under Statute	2,723	
145		Carrying amount of assets disposed	60	
1,846		Depreciation	1,785	
1,790		Impairment	86	
0		Movement in market value of Investment Property	828	
146		Repayment of Capital Loans	203	
	9,165			5,556
	(32,017)	Total Capital Adjustment Accounts		(35,872)

Deferred Credits Account

31 March 2017			31 March 2018	
£'000	£'000		£'000	£'000
(309)		Balance at start of year		(300)
6		Repayment of mortgages on sale of Council Houses		6
0		Transfer to Capital Receipts Reserve		0
3		Right to Receipts – St Johns Ambulance		3
	(300)	Total Deferred Credits		(291)

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 2017			31 March 2018	
£'000	£'000		£'000	£'000
(29)		Balance at start of year		(14)
0		Change in Accounting Policy – adjustment regarding soft loans		0
15		Discount on early repayment of loan		14
	(14)	Total Financial Instruments Adjustment Account		0

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 2017 £'000			31 March 2018 £'000	
68,578		Balance at start of year		86,471
15,025		Remeasurement of the net defined benefit liability		(9,204)
5,711		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		7,233
(2,843)		Employer's pensions contributions and direct payments to pensioners payable in year		(3,362)
86,471		Total Pensions Reserve		81,138

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 2017 £'000			31 March 2018 £'000	
2,903		Balance at start of year		(780)
182		Collection Fund Adjustment in year for Council Tax		47
(3,865)		Collection Fund Adjustment in year for non-domestic rates		1,619
(780)		Total Collection Fund Adjustment Account		886

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 2017			31 March 2018	
£'000	£'000		£'000	£'000
	253	Balance at start of year		250
(253)		Settlement or cancellation of accrual made at the end of preceding year	(250)	
250		Amounts accrued at the end of the current year	249	
	(3)	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		(1)
	250	Total Accumulating Compensated Absences Adjustment Account		249

33. Financial Instruments

The Authority's accounting policies relating to financial instruments are in accordance with the 2017/18 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 2017			31 March 2018	
Long Term £'000	Current £'000		Long Term £'000	Current £'000
		Investments		
4,728	20,263	Loans & Receivables	4,280	8,475
6,944	22,142	Available-for-sale financial assets	4,164	19,880
11,672	42,405	Total Investment	8,444	28,355
		Debtors		
	2,002	Loans and Receivables		1,765
	2,002	Total Debtors		1,765
		Financial Liabilities at amortised cost		
157	3,580	Trade Creditors	95	3,484
133	94	Finance Lease	81	56
290	4,030	Total Financial Liabilities at amortised cost	176	3,540

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 2018	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	42			
Interest Payable and similar charges	42			42
Interest income Gains on derecognition		(209)	(398)	
Interest and investment income		(209)	(398)	(607)
Gains on revaluation Losses on revaluation			(260) 129	
(Surplus)/Deficit arising on revaluation of financial assets			(130)	
Total Net (Gain)/Loss for the year	42	(209)	(528)	

For the purpose of comparison, the gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments for the 2016/17 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 Losses on derecognition	17			
Interest Payable and similar charges	17			17
Interest income Gains on derecognition		(209)	(420)	
Interest and investment income		(209)	(420)	(629)
Gains on revaluation Losses on revaluation			(41) 154	
(Surplus)/Deficit arising on revaluation of financial assets			113	
Total Net (Gain)/Loss for the year	17	(209)	(307)	

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 2018 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 2018. 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 Ministry for Housing, 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 2018 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	
	31/03/2018	31/03/2017	31/03/2018	31/03/2017
		£'000	£,000	£'000
AAA	4,000	7,000	5,330	9,000
AA+				
AA				
AA-			1,500	5,675
A+				2,000
A		500	3,400	5,000
A-		3,000		1,000
Unrated Local Authorities	3,000		5,000	14,000
Unrated Pooled Funds			12,000	5,000
Total Investments (nominal amount)	7,000	10,500	27,230	41,675

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 2018 for these investment is nil (Nil for 2016/17). 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 2017 £'000		Nominal Amount invested at 31 March 2018 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2017 %	Estimate maximum exposure to default and non-collection at 31 March 2017 £'000
0	Deposits with Banks & Financial Institutions	16,730			
0	Deposits with other Local Authorities	8,000			
0	Bonds/Gilts	6,500			
845	Customers	2,945	25.91	25.91	763
845	Total maximum exposure to default and non-collection	34,175	25.91	25.91	763

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 2018, 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 £568k.

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.

34. Cash Flow Statement – Operating activities

The cash flows for operating activities include the following items:

Previous Year 2016/17 £'000		Current Year 2017/18 £'000
808	Interest received	591
(17)	Interest paid	(42)
791	Net Cash Flows from Operating Activities relating to interest	549

Previous Year 2016/17 £'000		Current Year 2017/18 £'000
1,846	Depreciation and amortisation	1,787
1,790	Impairment and downward valuations	99
0	Movement in market value of investment property	699
148	Increase/(decrease) in creditors	(2,847)
1,762	(Increase)/decrease in debtors	(2,033)
(29)	(Increase)/decrease in inventories	(2,360)
0	Increase/(decrease) in developer contributions	463
0	Increase/(decrease) in provisions	(867)
2,868	Movement in pension liability	3,871
155	Carrying amounts of non-current assets and non-current assets held for sale, sold or derecognized	80
140	Other non-cash items charged to the net surplus or deficit on the provision of services	0
8,680	Total Adjustments for Non-Cash Movements	(1,108)

Previous Year 2016/17 £'000		Current Year 2017/18 £'000
(1,455)	Proceeds from the sale of property, plant and equipment and intangible assets	(1,744)
(2,070)	Any other items for which the cash effects are investing or financing cash flows	0
(3,525)	Total Adjustments for Investing and Financing Activities	(1,744)

35. Cash Flow Statement – Investing activities

Previous Year 2016/17 £'000		Current Year 2017/18 £'000
(1,835)	Purchase of property, plant and equipment, investment property and intangible assets	(14,212)
(115,881)	Purchase of short-term and long-term investments	(314,417)
(1,584)	Other payments for investing activities	0
1,311	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,745
111,253	Proceeds from sale of short-term and long-term investments	333,819
2,526	Other receipts from investing activities	458
(4,210)	Net Cash Flows from Investing Activities	7,393

36. Cash Flow Statement – Financing activities

Previous Year 2016/17 £'000		Current Year 2017/18 £'000
15	Cash receipts of short and long-term borrowing	0
0	Other receipts from financing activities	0
(113)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(52)
5,122	Other payments for financing activities	0
5,024	Net Cash Flows from Financing Activities	(52)

37. Trading operations

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

Previous Year 2016/17 Surplus)/Deficit £'000		Current Year		
		2017/18 Expenditure £'000	2017/18 Income £'000	2017/18 (Surplus)/Deficit £'000
126	Properties	196	(74)	87
14	Markets	30	(14)	14
78	Catering	130	(68)	145
(129)	Careline	277	(402)	(171)
89	Total Trading Accounts	633	(558)	75

38. Members' Allowances

Previous Year 2016/17 £'000		Current Year 2017/18 £'000
384	Basic Allowance	389
118	Special Responsibility Allowance	118
18	Expenses	16
520	Total Members Allowance	523

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

39. Officers' Remuneration

During the 2017/18 financial year the number of officers who received remuneration, which includes salary, leased car and termination payments, in excess of £50k were as follows:

2016/17			Remuneration Band	2017/18		
Total	Left during year	Compensation for loss of office		Total	Left during year	Compensation for loss of office
3			£50,000 - £54,999	5	2	1
1			£55,000 - £59,999	3	2	2
			£60,000 - £64,999	3	3	3
2			£65,000 - £69,999	1	1	1
			£70,000 - £74,999			
1			£75,000 - £79,999	3	0	1
			£80,000 - £84,999			
			£85,000 - £89,999	1	1	1
			£90,000 - £94,999			
			£95,000 - £99,999	2	2	2
			£100,000 - £104,999			
2		1	£110,000 - £114,999	1		
			£120,000 - £124,999	1	1	1
1		1	£155,000 - £159,999			
1		1	£165,000 - £169,999			
1	1	1	£175,000 - £179,999			
			£185,000 - £189,999	1	1	1
1		1	£195,000 +			

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 Directors Officers with statutory roles.

Senior Officers' Emoluments

Current year 2017/18	Name of officer	Salary (including Fees & Allowances) £'000	Benefits in kind £'000	Compensation for loss of office £'000	Total Remuneration (excl. pension contribution) £'000	Pension Contribution £'000	Total Remuneration (incl. pension contribution) £'000
Post Title							
Chief Executive	A Parmley	111	1	0	112	18	130

Previous year 2016/17	Name of officer	Salary (including Fees & Allowances) £'000	Benefits in kind £'000	Compensation for loss of office £'000	Total Remuneration (excl. pension contribution) £'000	Pension Contribution £'000	Total Remuneration (incl. pension contribution) £'000
Post Title							
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

Current Year 2017/18	Salary (including Fees & Allowances)	Benefits in kind	Compen- sation for loss of office	Total Remuneration (excl. pension contribution)	Pension Contribution	Total Remuneration (incl. pension contribution)
Post Title	£'000	£'000	£'000	£'000	£'000	£'000
Strategic Director (Place & Performance)	42		146	188	7	195
Assistant Director (Legal & Corporate Services) (until October 2017)	52			52	8	60
Lead Specialist Legal/Monitoring Officer (Monitoring Officer from November 2017)	53			53	9	62
Director (Strategy and Support Services) (from September 2017)	40			40	6	46
Director (Service Delivery)	79	1		80	12	92
Director (Commercial Services & Income Generation)	77			77	12	89

The Council's S151 Officer is employed by Taunton Deane Borough Council (TDBC) and SSDC pays TDBC for 40% or 0.4 full time equivalent. As the Officer is not an employee of SSDC the remuneration details are not included above, with full remuneration details disclosed within the TDBC Statement of Accounts. However in the interests of transparency, note that the salary paid to this post in 2017/18 was £67,013.

Previous Year 2016/17	Salary (including Fees & Allowances)	Benefits in kind	Compen- sation for loss of office	Total Remuneration (excl. pension contribution)	Pension Contribution	Total Remuneration (incl. pension contribution)
Post Title	£'000	£'000	£'000	£'000	£'000	£'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

Exit Packages

The total cost of £871k for 2017/18 (£544k for 2016/17) 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	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17 £'000	2017/18 £'000
£0 - £20,000	0	1	2	5	2	6	30	77
£20,001 - £40,000	0	2	1	9	1	11	30	335
£40,001 - £60,000	0	0	1	4	1	4	49	178
£60,001 - £80,000	0	2	0	0	0	2	0	135
£80,001 - £100,000	0	0	3	0	3	0	282	0
£100,001 - £150,000	0	0	0	1	0	1	0	146
£150,001 - £200,000	0	0	1	0	1	0	153	0
TOTAL	0	5	8	19	8	24	544	871

Termination Benefits

The authority terminated the contracts of 24 employees in 2017/18, incurring liabilities of £871k (544k in 2016/17). These officers were made redundant as part of the Authority's transformation of services.

40. Audit Costs

In 2017/18 the Council incurred the following fees relating to external audit and inspection:

Previous Year 2016/17 £'000		Current Year 2017/18 £'000
49	Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor	49
12	Fees payable to Grant Thornton UK LLP for the certification of grant claims and returns	16
10	Fees payable in respect of other services provided by Grant Thornton	0
71	Total Audit Costs	65

41. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive income and Expenditure Statement in 2017/18.

Previous Year 2016/17 £'000		Current Year 2017/18 £'000
2,085	Capital Grants	2,594
4,666	New Homes Bonus	3,896
1,676	Revenue Support Grant (UK Government)	803
231	Other non-specific Government Grant	190
8,658	Total Grants credited to taxation and Non-Specific Grant income and Expenditure	7,483
849	Business Rates Tax loss reimbursement	1,117
224	Cost of Collection – Business Rates	224
43,165	Housing Benefits	38,426
61	Homelessness Grants	156
518	Miscellaneous Grants	232
44,817	Total Grants credited to services	40,155
53,475	Total Grants	47,638

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 73 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 66 to 69 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 2017/18	SSDC Councillor
Access For All Solutions	£9,000 Service Level Agreement	Cllr S Dyke
Parrett Drainage Board	£60,800 as a special levy	Cllr M Lewis Cllr G Tucker Cllr N Weeks
South West Audit Partnership	£96,023 Audit Fees/Work	Cllr D Norris
South West Councils	£9,898 Subscription and training	Cllr S Seal
Huish Episcopi Academy	£26,774 S106 Payment	Cllr C Aparicio Paul
Local Government Association	£12,069 Membership & Conference	Cllr R Pallister
Somerset Wildlife Preservation Trust	£18,818 proceeds from event at Westlands Leisure Complex	Cllr V Keitch Cllr T Osborne Cllr A Turpin
UNISON	£21,804 Employees subscriptions	Cllr D Bulmer

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 2017/18, £150k 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 2018 disclose net assets of £1.533m and a net profit of £17k. 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 purposes 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.

43. Capital expenditure and financing

Previous Year 2016/17			Current Year 2017/18	
£'000	£'000		£'000	£'000
	9,342	Opening Capital financing Requirement		9,338
		Capital Expenditure		
0		Intangible Non-current Assets	805	
2,182		Non-Current Assets	14,807	
0		Assets under Construction	519	
1,567		Long Term Debtors	0	
5,238		Revenue Expenditure funded from Capital under Statute	2,723	
	8,987	Sources of Finance		18,854
(6,589)		Use of Capital Receipts	(8,265)	
(2,134)		Government Grants & Other Contributions	(2,024)	
(155)		Capital expenditure charged against the capital fund	(295)	
(113)		Minimum Revenue Provisions	(169)	
	(8,991)			(10,753)
	9,338	Closing Capital Financing Requirement		17,439

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 2017 £'000		31 March 2018 £'000
212	Vehicles, Plant, Furniture and Equipment	119
212	Total Carrying Amount of Leases	119

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 2017 £'000		31 March 2018 £'000
227	Finance lease liabilities (net present value of minimum lease payments)	138
16	Finance Cost Payable in future years	3
243		141

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2017 £'000	31 March 2018 £'000	31 March 2017 £'000	31 March 2018 £'000
Not later than one year	102	55	94	56
Later than one year and not later than five years	136	86	128	82
Later than five years	5	0	5	0
Total Finance Lease Payments	243	141	227	138

Operating Leases

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

31 March 2017				31 March 2018		
		£'000				£'000
Vehicles, Plant & Equipment	Property	Total		Vehicles, Plant & Equipment	Property	Total
22	22	44	Not later than one year	42	22	64
65	90	155	Later than one year and not later than five years	6	90	96
	893	893	Later than five years	0	869	869
87	1,005	1,092	Total Operating Lease Payments	48	981	1,029

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

Previous Year 2016/17 £'000		Current Year 2017/18 £'000
98	Minimum lease payments	129
34	<ul style="list-style-type: none"> • Vehicles, Plant and Equipment • Property 	35
132	Total Operating Lease Payments Charge to the Comprehensive Income and Expenditure Statement	164

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 2017/18 totalled £1.008m (2016/17 £611k).

45. Impairment Losses

During 2017/18, the Authority recognised a net impairment loss of £2.131m (£2.922m in 2016/17). This was made up of £2.226m reduction in value and £95k of reversing previous impairment losses.

The impairment losses of £1.200m have been charged to various service lines on the Comprehensive Income and Expenditure Statement and downward revaluations of £931k 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 2018 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 2016/17			Current Year 2017/18	
£'000	£'000		£'000	£'000
		Comprehensive Income and Expenditure Statement		
		Cost of Services:		
2,971		• Current service costs	4,280	
187		• Past service and curtailment costs	598	
66		• Administration Expenses	56	
	3,224			4,934
		Financing and Investment Income and Expenditure		
5,426		• Interest Cost	4,922	
(2,939)		• Return on Assets	(2,623)	
	2,487			2,299
	5,711	Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement		7,233
		Other Post Employment benefit charged to the Comprehensive Income and Expenditure Statement		
		Remeasurement of the net defined benefit liability comprising:		
(16,838)		Return on plan fund assets in excess of interest	(2,134)	
37,680		Change in financial assumptions	(7,070)	
(3,393)		Change in demographic assumptions		
(2,748)		Experience gain on defined benefit obligation		
324		Other actuarial (gains)/losses on assets		
	15,025	Total remeasurement of net defined benefit liability		(9,204)
	20,736	Total post employment benefit charged to the Comprehensive Income and Expenditure Statement		(1,971)
		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:		
(2,614)		• Employer's contributions payable to scheme	(3,149)	
(229)		• Retirement benefits payable to pensioners	(213)	
	(2,843)			(3,362)

The change in financial assumptions reflects a decrease in the discount rate from 2.7% to 2.55%. The discount rate is based on corporate bond yields that match the duration of the employer's 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 2018 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 2016/17 £'000		Current Year 2017/18 £'000
181,571 (98,307)	Present Value of Funded Obligation Fair Value of Assets in Scheme	178,779 (100,645)
83,264 3,207	Net Liability Present Value of Unfunded Obligation	78,134 3,004
86,471	Closing Balance at 31 March	81,138

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total liability of £81.138m has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in an overall balance of £25.488m. 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 2016/17 £'000		Current Year 2017/18 £'000
148,510	Opening Balance at 1 April	184,778
2,971	Current service cost	4,280
5,426	Interest cost	4,922
	Remeasurement (gains) and losses:	
37,680	Actuarial gains/losses from change in financial assumptions	(7,070)
(3,393)	Actuarial gains/losses from change in demographic assumptions	0
(2,748)	Experience loss/(gain) on defined benefit obligation	0
0	Liabilities assumed/(extinguished) on settlements	0
(4,355)	Estimated benefits paid net of transfers in	(6,204)
187	Past service costs, including curtailments	598
728	Contributions by scheme participants	692
(229)	Unfunded Pension Payments	(213)
184,777	Closing balance at 31 March	181,783

Reconciliation of Fair Value of Scheme Assets

Previous Year 2016/17 £'000		Current Year 2017/18 £'000
79,933	Opening Balance at 1 April	98,307
2,939	Interest on Assets	2,623
16,838	Return on Assets less interests	2,134
(324)	Other actuarial gains/(losses)	0
(66)	Administration expenses	(56)
2,843	Contribution by the employers	3,362
728	Contributions by scheme participants	692
(4,584)	Benefits paid	(6,417)
0	Settlement prices received/(paid)	0
98,307	Closing balance at 31 March	100,645

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	178,497	181,783	185,133
Projected service cost	3,895	3,989	4,085
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	182,105	181,783	181,464
Projected service costs	3,989	3,989	3,989
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	184,817	181,783	178,806
Projected service costs	4,086	3,989	3,895
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present value of total obligation	188,763	181,783	175,070
Projected service costs	4,116	3,989	3,866

Projected Pension Expense for the year to 31 March 2019

	Year to 31 March 2019 £'000
Service Cost	3,989
Net Interest on the defined liability	2,024
Administration expenses	57
Total Loss/(Profit)	6,070
Employer Contributions	3,317

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 2016.

The principal assumptions used by the actuary have been:

31 March 2017		31 March 2018
2.70%	Rate of inflation (CPI)	2.30%
4.20%	Rate of general long-term increase in salaries	3.80%
2.70%	Rate of increase to pensions in payment	2.30%
2.70%	Rate of increase to deferred pensions	2.30%
2.70%	Discount Rate	2.55%

Assumed life expectations from aged 65 (years) are:

	Males	Females
Current Pensioners	24.0	25.2
Future Pensioners (20 years from now)	26.2	27.5

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 2017	Value of total Scheme as at 31 March 2017		% of total Scheme as at 31 March 2018	Value of total Scheme as at 31 March 2018
71	70,088	Equity Investments	71	71,846
6	6,025	Government Bonds	6	5,446
10	9,641	Corporate Bonds	9	9,427
9	8,673	Property	10	9,555
4	3,880	Cash	4	4,371
100	98,307		100	100,645

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 2016/17 £'000		Current Year 2017/18 £'000
(1)	Total Income for the Year	(3)
0	Revaluation of Investments	0
1	Total Expenditure of the Year	1
0	Deficit/(Surplus) for the Year	(2)

(Brackets represent income)

Previous Year 2016/17 £'000		Current Year 2017/18 £'000
443	Capital & Unrestricted Funds	445
443	Total Reserves	445

The Statement of Accounts for Dorcas house Trust may be obtained by contacting the Finance Specialist, The Council Offices, Brympton Way, Yeovil, Somerset, BA20 2HT.

Collection Fund Account

Income and Expenditure Account for the year ended 31 March 2018

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 (NDR).

Previous Year 2016/17		Year Ended 31 March 2018		
Collection Fund £'000		Business Rates £'000	Council Tax £'000	Collection Fund £'000
	INCOME			
(92,350)	Council Tax Receivable		(97,244)	(97,244)
(45,617)	Business Rates Receivable	(39,986)		(39,986)
	Transitional Protection Payments			
	Apportionment of Previous Year Deficit			
(4,331)	Central Government			
(780)	Somerset County Council			
(87)	Devon & Somerset Fire & Rescue			
(3,465)	South Somerset District Council (including Parishes)			
(146,630)	TOTAL INCOME	(39,986)	(97,244)	(137,230)
	EXPENDITURE			
	Precepts and Demands			
21,903	Central Government	20,820		20,820
67,265	Somerset County Council	3,748	66,714	70,462
10,436	Police and Crime Commissioner for Avon & Somerset		10,784	10,784
5,120	Devon & Somerset Fire & Rescue	416	4,838	5,254
31,314	South Somerset District Council (including Parishes)	17,178	14,381	31,559
	Apportionment of Previous Year Surplus			
	Central Government	648		648
869	Somerset County Council	117	363	480
148	Police and Crime Commissioner for Avon & Somerset		60	60
66	Devon & Somerset Fire & Rescue	13	27	40
190	South Somerset District Council (including Parishes)	519	75	594
	Charges to Collection Fund			
1094	Write offs of uncollectable amounts	545	295	840
(365)	Increase/(Decrease) in bad debt	(104)	42	(62)
(173)	Increase/(Decrease) in Provision for Appeals	(1,618)		(1,618)
224	Cost of Collection	224		224
102	Transitional Protection Payments	1,543		1,543
3	Interest Payable			
138,196	TOTAL EXPENDITURE	44,049	97,579	141,628
(8,434)	(SURPLUS)/DEFICIT FOR YEAR	4,063	335	4,398
6,058	Balances at Start of Year	(1,471)	(905)	(2,376)
(2,376)	Balances at End of Year	2,592	(570)	2,022

Previous Year 2016/17	Attributable to:	Year Ended 31 March 2018		
Collection Fund £'000		Business Rates £'000	Council Tax £'000	Collection Fund £'000
(736)	Central Government	1,296		1,296
(757)	Somerset County Council	233	(394)	(161)
(103)	Police and Crime Commissioner for Avon & Somerset		(64)	(64)
(61)	Devon & Somerset Fire & Rescue	26	(28)	(2)
(719)	South Somerset District Council (including Parishes for Council Tax)	1,037	(84)	953
(2,376)		2,592	(570)	2,022

(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 2016/17.

Tax Base						
Previous Year 2016/17					Current Year 2017/18	
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	10	5
8,390	5,593	6/9ths	A	Up to £40,000	8,532	5,688
19,807	15,405	7/9ths	B	Between £40,001 & £52,000	19,880	15,463
14,531	12,917	8/9ths	C	Between £52,001 & £68,000	14,579	12,959
10,816	10,816	1	D	Between £68,001 & £88,000	10,823	10,823
8,487	10,374	11/9ths	E	Between £88,001 & £120,000	8,635	10,554
4,391	6,342	13/9ths	F	Between £120,001 & £160,000	4,450	6,427
1,733	2,888	15/9ths	G	Between £160,001 & £320,000	1,748	2,913
140	280	18/9ths	H	Over £320,000	142	285
68,304	64,620				68,799	65,117
	(592)			Less adjustment for non- collection and banding reductions		(599)
	(5,485)			Less adjustment for Council Tax Reduction Scheme		(5,205)
	58,543			Council Tax Base		59,313

Details of the precepts are shown below:

Previous Year 2016/17 £	Precepting Authorities	Current Year 2017/18 £
63,322,463	Somerset County Council	66,714,718
10,435,779	Police and Crime Commissioner for Avon & Somerset	10,783,504
4,682,269	Devon & Somerset Fire & Rescue Authority	4,838,165
8,926,450	District Council's own requirement	9,340,618
4,542,890	Total of Parish Precepts & Levies	5,025,361

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

Previous Year 2016/17 £	Council Tax Levy at Band D	Current Year 2017/18 £
1,081.64	Somerset County Council	1,124.79
178.26	Police and Crime Commissioner for Avon & Somerset	181.81
79.98	Devon & Somerset Fire & Rescue Authority	81.57
152.48	South Somerset District Council	157.48
1,492.36		1,545.65
77.60	Add Town & Parish Councils (average)	84.73
1,569.96	Average Council Tax Levy at Band D	1,630.38

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 2016/17		Current Year 2017/18
£113,134,742	National Non-Domestic Rates (NNDR) Rateable value at 31 st March	£117,714,447
	NNDR rate poundage	
49.7p	- National Multiplier	47.9p
48.4p	- Small Business Multiplier	46.6p

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-spending.

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, analysed 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 use. 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 through its continuing use.

Non-operational Assets

are those assets which are not directly used in the provision of services and mainly comprise those assets which are surplus to requirements and held pending disposal.

Operational Assets

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

Operating Leases

are all leases which are not finance leases.

Other Operating Costs

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

Precept

is the means by which Somerset County Council; 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.

Contact Details for Further Information

For more information please contact us at:

The Council Offices
Brympton Way
Yeovil
Somerset
BA20 2HT

Telephone: 01935 462462

Opening Hours: Mon - Thurs 8.45am - 5.15pm; Fri 8.45am - 4.45pm.

Website: www.southsomerset.gov.uk or

Email: accountancy@southsomerset.gov.uk

Extra copies of this booklet can be made available on request. Call 01935 462462.
