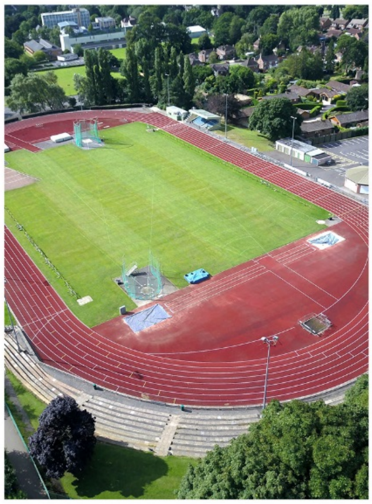
South Somerset
District Council

Draft (Unaudited) Statement of Accounts 2018/2019



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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 167,000 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).

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.

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**.

One Team, Ambitious for South Somerset

Governance

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.

Full Council sets the Budget and Policy framework for the Council and agrees the Strategic and Annual Plans. Council delegates the day to day running of council services to the Executive and Senior Leadership Team, with Scrutiny and Audit Committees in place to hold the Executive and Officers to account on key decisions, and monitor the management of controls and risks. The Council operated a Transformation Board during 2018/19 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. In addition, there are governance arrangements that provide the framework for decision making for the delivery of the Commercial Strategy and strategic Regeneration Programmes.

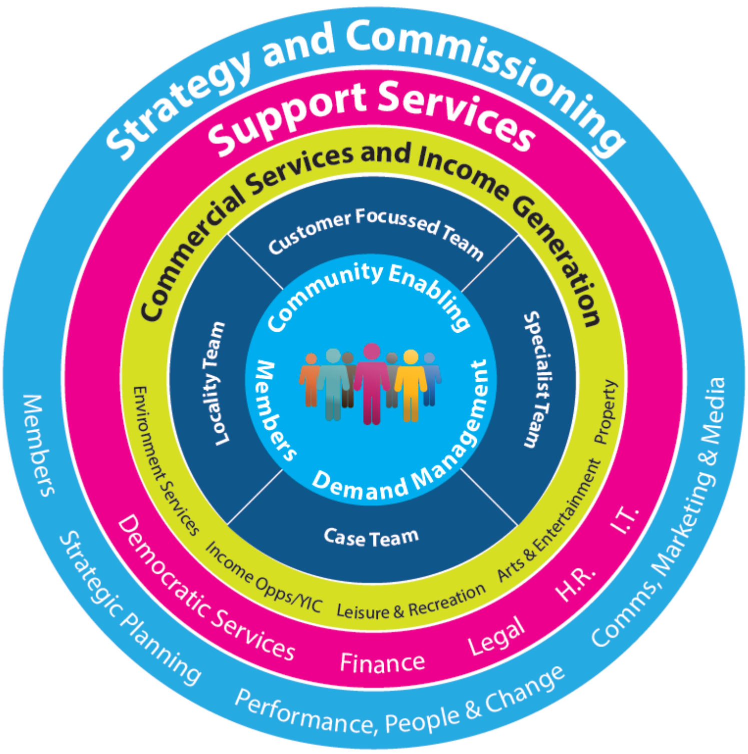
Operating Model

The Council has made significant progress in delivering an ambitious plan to totally redesign its service delivery to ensure an improved experience for the customers and the communities it serves whilst at the same time reducing the cost to the tax payer. This will be achieved through a radical change in the way our services are designed, the way service teams are structured to support service delivery and by making more use of digital technology including Electronic Document Management (EDM), workflow and web based technologies. Rather than cutting services, this is an investment based approach that will realise genuine efficiencies, whilst also realising improvements in levels of services for customers and modernising service delivery.

Implementation of the agreed business case will deliver:

- Ongoing annual savings of £2.48m from an investment of up to £7.45m – the savings are fully built into the base budget from April 2019
- A 'fit for purpose' organisation that will be in a position not only to drive continuous improvement but also to generate additional income to fund and support the Council's future priorities.

We have redesigned our operating model to ensure the way we are organised and how we deliver services is fit for purpose, the figure below provides a high level picture of how we will operate in future. The new staffing structure has been implemented in phases and completed in March 2019.



Resources

The Council approved its Revenue and Capital Budgets for 2018/19 in February 2018.

2018/19 Band D Council Tax £162.48

Increase of 3.18%

Spending on Services

£16.5m

Funded By

Council Tax £9.7m
Business Rates £3.5m
Government Grants £0.4m
New Homes Bonus £2.0m
Reserves £0.9m

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 £16.6m.

The Capital Programme budget approved in February 2018 totalled £11.7m, profiled across 2018/19 and 2019/20. In addition, the Council has supported in principle a further £45.7m in reserve schemes over the same period of which up to £42.6m is for the investment in land, property and renewable energy schemes in support of the income generation priority.

Capital Programme

£57.4m

Funded By

Grants and Contributions £3.3m
Capital Receipts and Borrowing £54.1m

Performance

Revenue Budget

The net expenditure for the year 2018/19 was £16.3m, resulting in an underspend of £260k (1.6%). The underspend has supported carry forward of spending commitments into 2019/20, with the remainder being transferred to 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	666	715	49
Strategy and Support Services	6,699	6,163	(536)
Service Delivery	1,542	1,825	283
Communities	1,027	986	(41)
Commercial Services and Income Generation	6,673	6,658	(15)
Net Budget	**16,607**	**16,347**	**(260)**
Funded By:			
Council Tax	(9,699)	(9,699)	0
Business Rates	(3,522)	(5,251)	(1,729)
General Government Grants	(400)	(400)	0
New Homes Bonus	(2,007)	(2,007)	0
Earmarked Reserves	(979)	1,010	1,989
Net Funding (Difference to General Reserves)	**(16,607)**	**(16,347)**	**260**

The significant differences relate to:

- Increased net income from investments £585,000
- Increased income from housing benefit subsidy and debt recovery £211,000
- Net additional income from new commercial investment properties £81,000
- Higher than estimated planning fees however increased development control costs resulted in net overspend £98,000
- Increased costs on building control and underachievement of income target shortfall £190,000
- Car parking net budget shortfall £149,000
- Net increased income on waste collection income mainly due to garden waste collection £85,000
- Sports facility net increased income £75,000

The Comprehensive Income and Expenditure Statement gives detailed information about the total expenditure on the services we provide. It also shows the council tax, business rates 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	19,491	Council tax payers – SSDC Services	9,664
Premises	3,157	Council tax payers – town and parish council precepts	5,228
Transport	809	Business Rates	7,326
Supplies and Services	7,341	Central Government Support	4,624
Third party payments	6,737	Government Subsidy	33,235
Benefit claimants	31,762	Other grants and contributions	167
Capital and financing charges	10,146	Sales, fees and charges	15,019
Town and parish precepts and Council Tax Support Grant	5,263	Investment income	1,427
		Share of right to buy receipts and other easements	1,670
Total Spend	84,706	Total Income	78,360
		Deficit for the Year	6,346

Although the table shows a reported deficit for the year within the Comprehensive Income and Expenditure 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 £246,523.

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 £33.652m, with a further £52.500m committed in the approved capital programme in subsequent years. Total spend in the year amounted to £28.414m, which included:

- £22.103m on the acquisition of investment properties.
- £1.685m on economic development schemes
- £1.482m on efficiency measures for delivery of future services
- £0.861m on disabled facilities and home repair grants
- £0.679m on sports and leisure facilities.
- £0.398m on affordable housing and housing improvements.

The following table summarises capital spending for the year and how this has been financed:

Where the Money Goes	£'000	Where the Money Comes From	£'000
Investment Property	22,103	Capital Receipts	4,549
Property, Plant & Equipment	3,373	Capital Fund	186
Affordable Housing & Housing Grants	1,259	Capital Grants from central government	720
Intangible Assets	822	Capital Grants from non-government funding partners	805
Sports & Leisure Facilities	679	Internally borrowed – not from Useable Capital Receipts	22,154
Area Committees	178		
Total Spend	**28,414**	**Total Financing**	**28,414**

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.

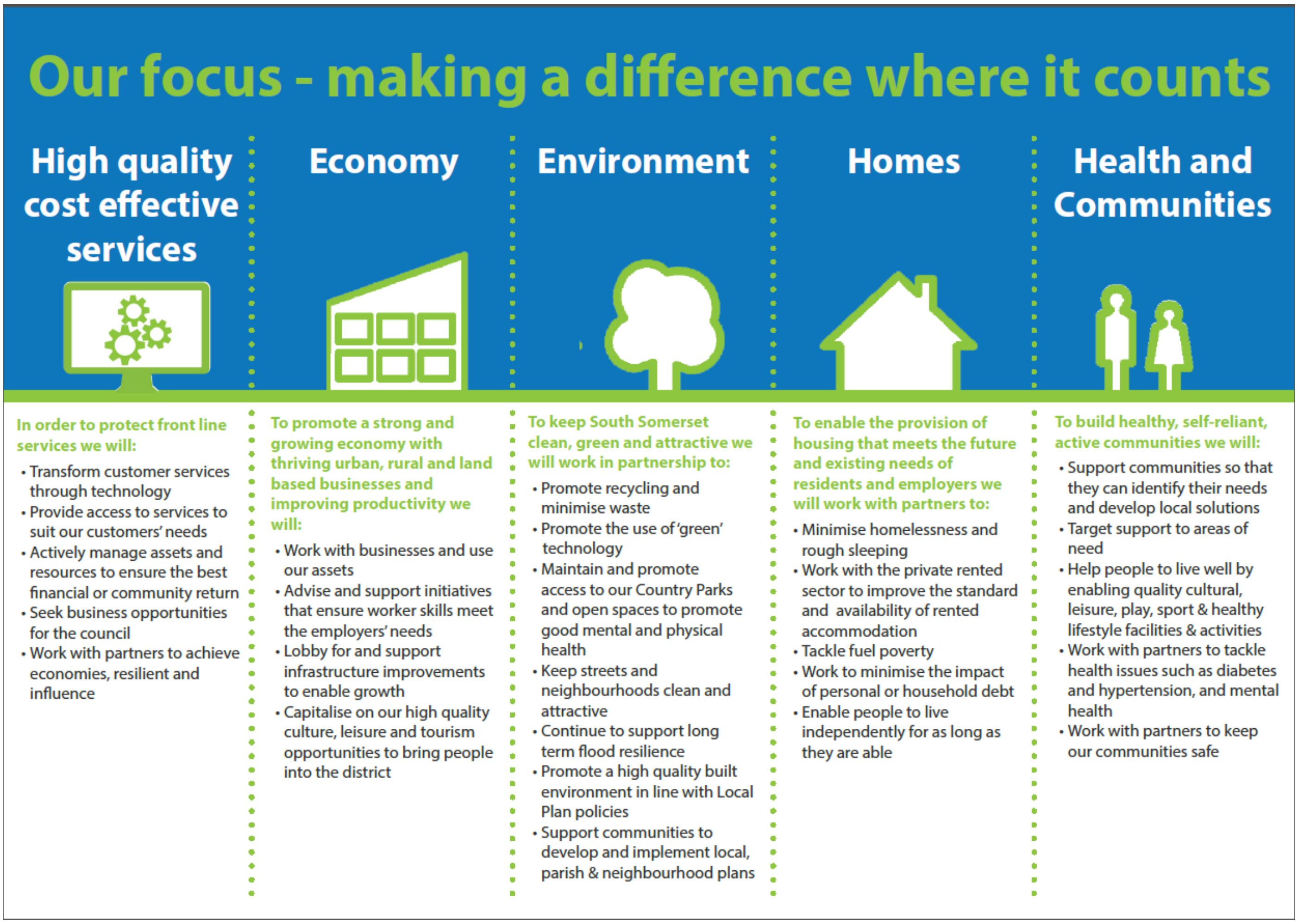
The General Fund Balance of £4.593m represents accumulated revenue surpluses. It ensures the Council remains financially resilient, and provides a contingency in the event of unavoidable unplanned expenditure. An assessment of our financial risks indicates that we should maintain this balance at or above £3.1m therefore the position as at 31 March 2019 remains above acceptable levels.

The total Earmarked Reserves balance is £17.506m as at 31 March 2019. These reserves are funds set aside to meet future spending commitments and contingencies for specific financial risks. Examples include election costs, leisure centre repairs, grants and leisure development. We also currently hold £5.019m within a Medium Term Financial Plan (MTFP) Support Fund to protect the annual budget from a sharp decline in New Homes Bonus funding (Council has approved the transfer of £2.5m of this reserve to the Regeneration Fund in 2019/20), and £3.955m in Business Rates Volatility Reserve which protects against fluctuations in funding levels. We added £5.01m to earmarked reserves during the course of the year, but also spent £4.34m on specific projects.

We also held £22.798m 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 Council Plan 2016-21, with an Annual Action Plan (AAP) covering the five areas of focus. Our AAP for 2018-19 is summarised as follows:



Over the last year the Council has made good progress in meeting its corporate priorities and delivering quality services to the community. The good progress that has been made in transformation and financial management is also allowing the Council to give greater emphasis to its desired economic and community regeneration activities. It has put in place plans and governance to give added momentum to its desired projects.

Highlights of our achievements in 2018-19 include:

High quality and cost effective services:

- ✓ Our ambitious Transformation Programme has continued to make good progress, saving an annual £2.5m without cutting services and helping to generate £2.2m in extra commercial income by 2021.
- ✓ We are shortlisted for two national awards for achievements in the public sector – for Workforce Transformation and as Best Commercial Council.
- ✓ Enhanced our property portfolio through prudent, ambitious and exciting investments now providing an annual income of £1.3m
- ✓ The Council was praised for decisive action and good progress of Council's Transformation through the Peer Review during 2018 (details available on the Council's website).
- ✓ We have increased our funding share of business rates by £1.138m through participating in the Somerset Business Rates Pool.

Economy:

- ✓ We provided support and advice to food businesses who may be affected by Brexit in particular in relation to export certification.
- ✓ The Public Examination of the A303 Sparkford to Ilchester duelling project opened in December. We are helping to examine and address the impacts on our local highways and heritage, while gaining economic benefits for the district.
- ✓ Our ambitious plan for the regeneration of Yeovil town centre has progressed well. New investment by third parties in Glovers Walk and Old Market Site will stimulate development in the town centre.
- ✓ Created a new ten-year strategy for economic prosperity and growth in South Somerset covering rural and urban economies, transport, communications, skills, workspace, innovation and investment – making South Somerset *a great place to business.*
- ✓ 9000 sq. ft. of new business space opened at the Yeovil Innovation Centre in August, accommodating around 80 new work spaces

Environment:

- ✓ Invested into one of the largest battery energy (25MW) storage sites in the UK
- ✓ £233,000 awarded to the Council by the National Heritage Memorial Fund enabling the purchase of 73 acres of "at risk" heritage land at Ham Hill.
- ✓ Retained Green Flag Awards at Ham Hill, Yeovil Country Parks and Chard Reservoir Local Nature Reserve.
- ✓ Gained grant funding from Heritage Lottery Fund and enhanced nature conservation, restored the Victorian Valley gardens and created seven new trail leaflets and information board, all at Yeovil Country Park.
- ✓ 96% of fly tips were cleared within 5 days of being reported.
- ✓ Awarded a South West in Bloom, five star Best Park Award for Yeovil Country Park and supported Yeovil to win Gold for South West in Bloom for the second Year running

Homes:

- ✓ Awarded 82 grants for essential adaptations helping residents to continue to live independently in their homes
- ✓ 86 Houses in Multiple Occupation (HMOs) were licensed to ensure standards for tenants are maintained in rented accommodation
- ✓ Operated the Severe Weather Emergency Provision for 16 nights, and as a result helped 28 people with emergency accommodation
- ✓ Provided 11-unit temporary accommodation property for homeless families with self-contained bedsits and shared communal facilities, and commenced work to bring an old building back into use for six more units of temporary housing.
- ✓ Commended by the Government housing team for our approach to increasing the availability of temporary accommodation.
- ✓ 122 affordable homes delivered by partnership working with housing associations and new development enabled by investment of £718,000
- ✓ Working with our partner the Centre for a Sustainable Environment we supported 283 households (of

which 53 had reported health conditions) to improve the energy efficiency of their homes, improving quality of life, reducing risk associated with excess cold and with an average financial saving of £119.

Health and communities:

- ✓ Completed 1161 food inspections to help ensure safe places for communities to eat and buy food
- ✓ Investigated 359 noise complaints helping to address causes or factors of poor mental health and wellbeing
- ✓ Carried out 370 rat treatments and provided advice for 412 rat calls to help keep neighbourhoods clean and safe
- ✓ The Octagon Theatre and Westland's Entertainment Venue set a new Box Office Record selling over 152,000 tickets (63% on-line) across both venues, and supported by 2,107 days donated by our magnificent volunteers.
- ✓ Following our ambitious plan to rescue and reinvest in the former social & sports club – the Westland Entertainment Venue is achieving excellent growth in the number of events and guests and we are ahead of Business Plan targets. Room hire for the venue has doubled on the previous year.
- ✓ £167,000 of grants to 47 community led projects, which helped to create investment of over £560,000 into supporting increased local quality of life.
- ✓ Ten Local Information Centres helped with running costs, providing help and information to thousands of visitors
- ✓ Created a First World War commemorative walks guide for Yeovil, funded by the South West Museum Development Fund and launched with a series of locally led events.
- ✓ Entertained 6000 visitors at the National Play Day Event, Yeovil Country Park.

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 – retained business rates forecasts are 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

The Council reviewed and updated its Financial Strategy in September 2018. 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:

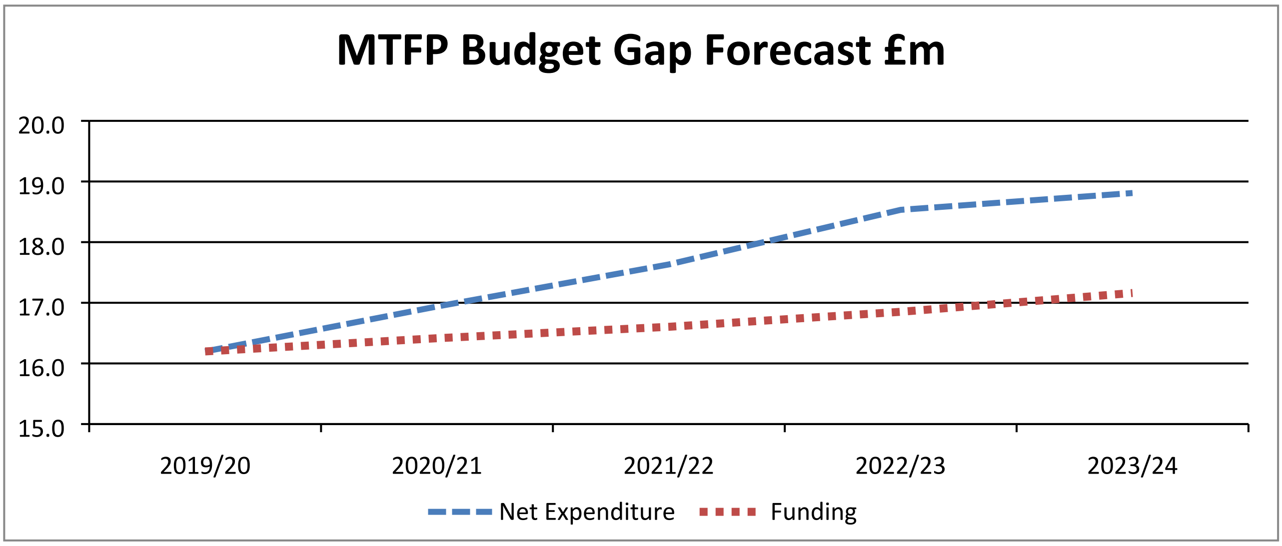
a) **Challenging existing costs** estimates and assumed “unavoidable” cost increases
b) Ensuring **clear service priorities** that demonstrably align with corporate strategy and plans
c) Maximising operational efficiency through **transformation** of services and ways of working
d) Taking a more **commercial 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
g) Reduce reliance on **government grants** for the funding of ongoing services.

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 2019/20 budget in February 2019, £4m of savings have been built into the Medium Term Financial Plan and with a balanced budget projected for 2019/20. The updated budget estimates including these savings and other changes has led to the forecast budget gap in 2022/23 reducing to £1.68m. Delivering the remaining savings target of £2m (£6m less £4m already delivered) should provide a healthy, sustainable financial positon for the foreseeable future including resilience to new pressures and opportunities for further investment in local priorities.



Following the District elections in May 2019, the new Council is expected to review its priorities and develop a new Council Plan for 2020 to 2024. New and updated priorities will need to assessed and financial plans updated accordingly, ensuring the Council's ambitions are both affordable and maintain financial resilience.

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.

We are currently facing a high degree of uncertainty with regard to future funding from 2020/21 onwards. There are several significant changes expected, the outcome of which is impossible to predict at this stage, including:

- The Spending Review 2019 – which will determine the total funding available to Local Government
- The Fair Funding Review – which will determine each authority's share of the total funding available
- Business Rates Baseline Reset – which will determine how much historic growth in business rates funding can be retained by the Council
- Business Rates Retention move from 50% to 75% – with authority shares and any transfer of responsibilities from Central Government to be determined
- New Homes Bonus reform – Government is due to consult on scheme changes during 2019 which is expected to determine future grant allocations
- Impact of Brexit on local government, the economy and local communities

The Medium Term Financial Plan will need to be updated when further information becomes available.

The Transformation programme has delivered major change in how the Council delivers services, with structural changes fully implemented by March 2019. The programme of technology and business process improvement will continue during 2019/20, and this is important to ensure the planned benefits are realised and service delivery remains resilient. It is inevitable that such a major change programme increases operational risks, and this is recognised in our approach to maintaining reserves.

Within our financial strategy, we aim to reduce our reliance on new homes bonus funding and reserves for the delivery of day to day services. In 2019/20 we have used £2.1m (which is £0.9m less than in 2018/19) and the plan is to reduce this to £1m per year by 2023/24.

The Commercial Strategy is another key component of the Financial Strategy. The Strategy helps to deliver the Council's vision of creating more income generation opportunities, using our resources to make investments that 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 previously been debt-free for many years, but we will need to borrow in order to acquire investment properties that will meet our core objectives and service priorities.

The commercial strategy and treasury strategy are interlinked, and we have continued to work 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.

The Council joined the new Somerset Business Rates Pool in April 2018, comprising the County Council and five district councils in Somerset, including SSDC. This has delivered significant financial gains in its first year. The Pool has also been successful in becoming a one-year Pilot scheme for 75% Business Rates Retention during 2019/20. This is forecast to bring greater financial benefit with SSDC forecasting a gain of £1.4m. This is built into the 2019/20 as a one-off and with the additional income allocated to the Regeneration Fund.

In May 2018 Somerset County Council indicated its wish 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. An external partnership was engaged to provide a high-level assessment of potential options for the future of local government in Somerset. It is anticipated that discussions will continue during 2019.

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 2019. 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 2018/19, 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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of South Somerset District Council (the 'Authority') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Account and notes to the financial statements, including the 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 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 2018/19; 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.

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 2018-2019, the Narrative Report, the Glossary of Terms, 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 audit 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 2018-2019, the Narrative Report and the Glossary of Terms 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 issue a report 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 make 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 make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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 18, 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 2018/19, for being satisfied that they 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 there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

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 2019.

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 2019.

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 South Somerset District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

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.

Barrie Morris, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
Bristol

17th July 2019

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 Officer 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 2019 and its income and expenditure for the year ended 31 March 2019.

The Draft Statement of Accounts is unaudited and the Statement of Accounts as published may be subject to change. The audited Statement of Accounts will be presented to be approved by resolution of the Audit Committee in July 2019 under powers allocated by the constitutional arrangements of the Council, and signed by the Chair of Audit Committee.

Signed

P Fitzgerald ACMA, CGMA
S151 Officer

25th July 2019

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the authority's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. 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 2018/19, 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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract. With effect from 1st April 2018, IFRS15 *Revenue from Contracts with Customers* has been adopted, which resulted in no material impact to the Council's recognition of revenues.

- 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 highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of changes in value. The Council 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 authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and 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. 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 (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.

7. 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 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 Authority 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 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 Authority 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 (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

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

- Contributions paid to the Somerset County Council Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the 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 Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

8. Events after the Reporting Period

Events after the Reporting Period 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.

9. Financial Instruments

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

Financial Liabilities
A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.
The majority of the Council's financial liabilities held during the year are measured at amortised cost and comprised:

- short-term loans from other local authorities,
- long-term loans from the Public Works Loan Board and commercial lenders
- lease payables
- trade payables for goods and services received.

Financial Assets
A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following classifications:

- Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow) comprising:
  - cash in hand,
  - bank current and deposit accounts,
  - fixed term deposits with banks and building societies,
  - loans to other local authorities,
  - certificates of deposit
  - treasury bills and gilts issued by the UK Government,
  - bonds issued by multilateral development banks and large companies,
  - loans made for service purposes,
  - lease receivables, and
  - trade receivables for goods and services provided.

- Fair value through profit and loss (all other financial assets) comprising:
  - money market funds
  - pooled bond, equity and property funds
  - equity investments,
  - covered bonds issued by banks and building societies
  - loans where the cash flows are not solely payments of principal and interest,
  - structured deposits with banks and building societies, and
  - forward contracts on fixed rate investments and loans where interest rates have moved in the Council's favour since the contract was agreed.

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

Expected Credit Loss Model
The authority recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant fair value through other comprehensive income), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on the basis of 12-month expected losses.

The authority has a number of loans. It does not have reasonable and supportable information that is available without undue cost or effort to support the measurement of lifetime expected losses on an individual instrument basis.

The authority has grouped the loans into three groups for assessing loss allowances:

- Group 1 – these loans were made under a government programme, where the supply of funds was conditional on the authority putting in place a system for measuring and monitoring the risk of default for each of the businesses that was provided with a loan. Loss allowances for these loans can be assessed on an individual basis.
- Group 2 – these loans were made at a variable rate of interest. The authority is advised that interest rates are probably going to rise by 1%. Historical information evidences that a 1% increase in interest

rates causes a significant increase in credit risk for 30% of the variable rate loans. The authority therefore uses a 'top-down' approach to assess an overall proportion of a group of relatively homogenous loans to determine that 30% of Group 2 loans have had a significant increase in credit risk since initial recognition.

- Group 3 – for the residual group of loans, the authority relies on past due information and calculated losses based on lifetime credit losses for all loans more than 30 days past due.

Fair Value Measurement
Financial instruments, except those classified at amortised cost, 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 by calculating the net present value of the remaining contractual cash flows at 31st March 2019.

Financial instruments classified at amortised cost 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 2019, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- The fair values of finance lease assets and liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.
- 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.

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

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

10. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:
- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset 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-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

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. However, a proportion of the charges for this authority may be used to fund revenue expenditure.

11. 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.

12. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the authority 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.

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

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 authority 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.

13. 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.

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. 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.

17. 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.

18. 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 Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. If the proceeds are £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.

Component Accounting

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

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

Income and Expenditure Statement).

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

- Land and individual buildings will be valued separately.

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

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

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

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

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

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

the control of the Council.

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

20. Related Party Transactions

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

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 authority 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.

21. 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.

22. 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.

23. 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.

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 2018 £'000	Gross Income year ended 31 March 2018 £'000	Net Cost of Services year ended 31 March 2018 £'000	Service	Note Number	Gross Expenditure year ended 31 March 2019 £'000	Gross Income year ended 31 March 2019 £'000	Net Cost of Services year ended 31 March 2019 £'000
2,711	74	2,785	Chief Executive		4,057	(22)	4,035
47,740	(40,726)	7,014	Director of Strategy and Support Services		43,183	(34,938)	8,245
6,001	(2,870)	3,131	Director of Service Delivery		4,122	(1,873)	2,249
1,573	(167)	1,406	Communities		1,343	(110)	1,233
18,837	(9,044)	9,793	Director of Commercial Services and Income Generation		21,033	(11,438)	9,595
76,862	**(52,733)**	**24,129**	**Cost of Services**		**73,738**	**(48,381)**	**25,357**
5,119	(1,432)	3,687	Other Operating expenditure	10	5,248	(1,670)	3,578
	(25)	(25)	Net Loss/(Gain) on Disposal of Property, Plant and Equipment	12		(40)	(40)
3,111	(608)	2,503	Financing and Investment Income and Expenditure	13	5,720	(1,427)	4,293
	(26,624)	(26,624)	Taxation and Non-Specific Grant Income	14		(26,842)	(26,842)
85,092	**(81,422)**	**3,670**	**(Surplus)/Deficit on Provision of Services**		**84,706**	**(78,360)**	**6,346**
		(527)	(Surplus)/Deficit on revaluation of Property, Plant and Equipment	33			(1,007)
		(131)	(Surplus)/Deficit on revaluation of Available for Sale Financial Assets	33			0
		0	(Surplus)/Deficit on revaluation of Pooled Funds	33			106
		(9,204)	Remeasurement of the Net Defined Benefit Liability	47			(8,005)
		(159)	Share of Other Income and Expenditure of Joint Operations	21			270
		(10,021)	**Other Comprehensive Income and Expenditure**				**(8,636)**
		(6,351)	**Total Comprehensive Income and Expenditure**				**(2,290)**

Movement in Reserves Statement

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

	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 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 32)	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)**
Reclassification of Financial Instruments	14		14	0	0	0	14	(11)	3
Adjusted Balance at 31 March 2018	**(4,347)**	**(18,176)**	**(22,523)**	**(25,268)**	**(1,038)**	**(767)**	**(49,596)**	**23,982**	**(25,614)**
Movement in reserves during 2018/19									
Total Comprehensive Income and Expenditure	6,346	0	**6,346**	0	0	270	**6,616**	(8,906)	**(2,290)**
Adjustments between accounting basis and funding basis under regulations (note 9)	(5,923)	0	**(5,923)**	2,470	(656)	0	**(4,109)**	4,109	**0**
Net Increase/Decrease before transfers to Earmarked Reserves	**423**	**0**	**423**	**2,470**	**(656)**	**270**	**2,507**	**(4,797)**	**(2,290)**
Transfers to/from Earmarked Reserves (note 32)	(670)	670	**0**	0	0	0	**0**	0	**0**
(Increase)/Decrease in 2018/19	**(247)**	**670**	**423**	**2,470**	**(656)**	**270**	**2,507**	**(4,797)**	**(2,290)**
Balance at 31 March 2019	**(4,594)**	**(17,506)**	**(22,100)**	**(22,798)**	**(1,694)**	**(497)**	**(47,089)**	**19,185**	**(27,904)**

Balance Sheet (Brackets represent liabilities)

The Balance Sheet is a 'snapshot' of the council'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 Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is 'Usable Reserves' i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences in the Movement in Reserve Statement line 'adjustments between accounting basis and funding basis under regulations'.

As at 31 March 2018		Note No.	As at 31 March 2019	
£'000			**£'000**	**£'000**
53,325	Property, Plant & Equipment	15	53,746	
17,633	Investment Properties	17	26,109	
839	Intangible Assets	20	1,273	
767	Investment in Joint Operations	21	497	
1,763	Heritage Assets	22	1,789	
7,164	Long Term Investments	34	3,129	
1,278	Long Term Debtors	23	11,078	
82,769	**TOTAL LONG TERM ASSETS**			**97,621**
25,650	Short Term Investments	34	27,687	
2,488	Inventories	24	3,817	
7,178	Short Term Debtors	25	9,507	
2,242	Cash & Cash Equivalents	26	493	
37,558	**CURRENT ASSETS**			**41,504**
0	Short term Borrowing	27	(19,500)	
(949)	Bank Overdraft	26	(702)	
(7,299)	Short term Creditors	28	(9,108)	
(8,248)	**CURRENT LIABILITIES**			**(29,310)**
(1,349)	Provisions	30	(1,401)	
(3,799)	Developers Contributions Deferred	31	(3,679)	
(95)	Long Term Liabilities – Creditors	29/34	(185)	
(81)	Long Term Liabilities – Finance Lease	45/34	(51)	
(81,138)	Liability related to defined benefit pension scheme	47	(76,596)	
(86,462)	**LONG TERM LIABILITIES**			**(81,912)**
25,617	**NET ASSETS**			**27,903**
48,843	Usable Reserves	32	46,591	
767	Usable Reserve – Share in Joint Operations	32/21	497	
(23,993)	Unusable Reserves	33	(19,185)	
25,617	**TOTAL RESERVES**			**27,903**

I confirm these accounts were approved by the Audit Committee at the meeting held on 25th July 2019.

Signed: Date:

Cllr Martin Carnell, Chair of Audit Committee

These financial statements replace the unaudited financial statements certified by the S151 Officer on 30th May 2019.

Signed: Date:

P Fitzgerald ACMA, CGMA, S151 Officer

Cash Flow Statement (Brackets on this page represent income)

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

Year Ended 31 March 2018 £'000		**Year Ended 31 March 2019 £'000**
(3,669)	Net surplus/(deficit) on the provision of services	**(6,346)**
(1,108)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (note 35)	**7,095**
(1,744)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (note 35)	**(2,132)**
(6,521)	**Net cash flows from operating activities**	**(1,383)**
7,393	Investing Activities (note 36)	**(19,589)**
(52)	Financing Activities (note 37)	**19,470**
820	**Net increase or decrease in cash and cash equivalents**	**(1,502)**
473	Cash and Cash Equivalents (including bank overdraft) at 1 April (note 26)	**1,293**
1,293	**Cash and Cash Equivalents (including bank overdraft) at 31 March (note 26)**	**(209)**

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 council's internal management and reporting structure which changed during 2018/19. The comparative figures for 2017/18 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 2017/18 £'000	Adjustments between old and new internal reporting classification £'000	As Restated 2017/18 £'000	New Reporting Classification
Cost of Services				
Gross Expenditure				
Chief Executive	2,887	176	2,711	Chief Executive
Director of Support Services	45,215	(2,525)	47,740	Director of Strategy and Support Services
Director of Service Delivery	7,144	1,143	6,001	Director of Service Delivery
Communities	1,545	(28)	1,573	Communities
Director of Commercial Services and Income Generation	19,715	878	18,837	Director of Commercial Services and Income Generation
	76,506	**(356)**	**76,862**	
Gross Income				
Chief Executive	(1)	(75)	74	Chief Executive
Director of Support Services	(39,672)	1,054	(40,726)	Director of Strategy and Support Services
Director of Service Delivery	(3,056)	(186)	(2,870)	Director of Service Delivery
Communities	(153)	14	(167)	Communities
Director of Commercial Services and Income Generation	(9,695)	(651)	(9,044)	Director of Commercial Services and Income Generation
	(52,577)	**156**	**(52,733)**	
Net Cost of Services				
Chief Executive	2,886	101	2,785	Chief Executive
Director of Support Services	5,543	(1,471)	7,014	Director of Strategy and Support Services
Director of Service Delivery	4,088	957	3,131	Director of Service Delivery
Communities	1,392	(14)	1,406	Communities
Director of Commercial Services and Income Generation	10,020	227	9,793	Director of Commercial Services and Income Generation
	23,929	**(200)**	**24,129**	

Financing and Investment Income and Expenditure				
Gross Expenditure	3,311	200	3,111	Trading Undertakings reclassified to Cost of Services
Gross Income	(608)	0	(608)	
Net Financing and Investment Income and Expenditure	**2,703**	**200**	**2,503**	

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 2019/20 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 and SSDC Opium Power Limited are joint ventures or joint operations

Both Lufton 2000 and SSDC Opium Power Limited are joint operations since in both cases there is joint control of decisions about the relevant activities of the arrangement. The Council has the rights to a share of net assets and rights and obligations in relation to the assets and liabilities. 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 2019 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 £467k if the estimated useful lives were reduced by one year.
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 £383k.
Business Rates Appeals	The Authority has recognised a provision for outstanding Business Rates appeals of £1.313m. 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 £131k.

Item	Uncertainties	Effect if actual results differ from assumptions
Arrears	At 31 March 2019, the Authority had a balance for sundry debtors of £2.590m. A review of significant balances suggested that an impairment of doubtful debts of £829k 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 £829k to set be set aside as an allowance.

5. Material items of income and expenditure

There were no material items of income and expenditure during 2018/19.

6. Events after the balance sheet date

The Statement of Accounts was authorised for issue by the S151 Officer on 25th July 2019. 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.

2017/18				2018/19		
Net Expenditure Chargeable to the General Fund £'000	**Adjustments between the Funding and Accounting Basis £'000**	**Net Expenditure in the Comprehensive Income & Expenditure Statement £'000**	**Service**	**Net Expenditure Chargeable to the General Fund £'000**	**Adjustments between the Funding and Accounting Basis £'000**	**Net Expenditure in the Comprehensive Income & Expenditure Statement £'000**
1,881	904	2,785	Chief Executive	715	3,320	4,035
5,250	1,764	7,014	Director of Strategy and Support Services	6,163	2,082	8,245
1,285	1,846	3,131	Director of Service Delivery	1,825	425	2,250
1,173	233	1,406	Communities	986	246	1,232
7,732	2,060	9,792	Director of Commercial Services and Income Generation	6,658	2,937	9,595
17,321	**6,807**	**24,128**	**Net Cost of Services**	**16,347**	**9,010**	**25,357**
(20,003)	**(455)**	**(20,458)**	Other Income and Expenditure	**(15,924)**	**(3,087)**	**(19,011)**
(2,682)	**6,352**	**3,670**	**Surplus or Deficit**	**423**	**5,923**	**6,346**
19,857			Opening General Fund Balance	**22,523**		
0			Less deficit on General Fund	**(423)**		
2,682			Add Surplus on General Fund	**0**		
22,539			**Closing General Fund Balance at 31 March 2019**	**22,100**		

Notes to the expenditure and funding analysis

Adjustments between Funding and Accounting Basis 2018/19				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	**Adjustments for Capital Purposes (Note 1)**	**Net change for the Pensions Adjustments (Note 2)**	**Other Differences (Note 3)**	**Total Adjustments**
	£'000	**£'000**	**£'000**	**£'000**
Chief Executive	897	28	2,395	**3,320**
Director of Strategy and Support Services	727	156	1,198	**2,081**
Director of Service Delivery	2,851	96	(2,521)	**425**
Communities	225	18	3	**246**
Director of Commercial Services and Income Generation	3,316	124	(503)	**2937**
Net Cost of Services	**8,016**	**422**	**572**	**9,010**
Other income and expenditure from the Expenditure and Funding Analysis	**(3,623)**	**3,041**	**(2,505)**	**(3,087)**
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**4,393**	**3,463**	**(1,933)**	**5,923**

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 (Note 1)**	**Net change for the Pensions Adjustments (Note 2)**	**Other Differences (Note 3)**	**Total Adjustments**
	£'000	**£'000**	**£'000**	**£'000**
Chief Executive	(1)	79	825	**903**
Director of Strategy and Support Services	764	309	691	**1,764**
Director of Service Delivery	1,727	266	(147)	**1,846**
Communities	128	59	46	**233**
Director of Commercial Services and Income Generation	2,185	261	(386)	**2,060**
Net Cost of Services	**4,803**	**974**	**1,029**	**6,806**
Other income and expenditure from the Expenditure and Funding Analysis	**(4,004)**	**2,897**	**651**	**(456)**
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**	**6,350**

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

	2017/18		2018/19	
	Revenues from external customers	Grants & Contributions	Revenues from external customers	Grants & Contributions
	£'000	£'000	£'000	£'000
Chief Executive	1	0	3	18
Director of Strategy and Support Services	884	40,048	896	34,084
Director of Service Delivery	61	1,466	3,409	2,087
Communities	46	107	30	82
Director of Commercial Services and Income Generation	8,836	1,128	10,682	1,481
Total income analysed on a segmental basis	**9,828**	**42,749**	**15,020**	**37,752**

8. Expenditure and Income analysed by nature

	2017/18	2018/19
Expenditure/Income	**£'000**	**£'000**
Expenditure		
Employee benefits expenses	18,823	20,918
Other services expenses	59,234	55,987
Depreciation, amortisation, impairment	1,872	2,287
Interest Payments	42	267
Precepts and levies	5,114	5,246
Payments to housing capital receipts pool	5	1
Loss on the disposal of assets	0	0
Total Expenditure	**85,090**	**84,706**
Income		
Fees, charges and other service income	(54,165)	(50,051)
(Gain) on the disposal of assets	(25)	(40)
Interest and investment income	(608)	(1,427)
Income from council tax and NDR	(19,141)	(22,218)
Government grants and contributions	(7,483)	(4,624)
Total Income	**(81,422)**	**(78,360)**
Surplus or Deficit on the Provision of Services	**3,668**	**6,346**

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.

2018/19	**Movement in Usable Reserves**			
	General Fund Balance	**Capital Receipts Reserves**	**Capital Grants Unapplied**	**Movement in Unusable Reserves**
	£'000	**£'000**	**£'000**	**£'000**
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for depreciation, amortisation and impairment of non-current assets	(2,341)	0	0	**(2,341)**
Revaluation losses on Property, Plant and Equipment	54	0	0	**54**
Capital grants and contributions applied	1,389	0	137	**1,526**
Capital grants and contributions unapplied	793	0	(793)	**0**
Revenue expenditure funded from capital under statute	(2,969)	0	0	**(2,969)**
Movement in market value of Investment Property	(3,341)	0	0	**(3,341)**
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	(286)	0	0	**(286)**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of capital investment	221	0	0	**221**
Capital expenditure charged against the capital fund	186	0	0	**186**
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	1,903	(1,903)	0	**0**
Use of Capital Receipts Reserve to finance capital expenditure	0	4,600	0	**4,600**
Transfer from the Deferred Capital Receipts reserve to the Capital Receipts Reserve upon receipt of cash	0	(229)	0	**(229)**
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(2)	2	0	**0**

2018/19	Movement in Usable Reserves			
	General Fund Balance	Capital Receipts Reserves	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 47)	(7,067)	0	0	**(7,067)**
Employer's pensions contributions and direct payments to pensioners payable in the year	3,604	0	0	**3,604**
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	1,929	0	0	**1,929**
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	**(5,923)**	**2,470**	**(656)**	**(4,109)**

2017/18 Comparative figures	Movement in Usable Reserves			
	General Fund Balance	Capital Receipts Reserves	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for depreciation, amortisation and impairment of non-current assets	(1,786)	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)**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of capital investment	169	0	0	**169**
Capital expenditure charged against the capital fund	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)**

2017/18 Comparative figures	Movement in Usable Reserves			
	General Fund Balance	Capital Receipts Reserves	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 47)	(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)**

10. Other operating income and expenditure

Previous year 2017/18 £'000		Current year 2018/19 £'000
5,114	Parish council precepts and levies	5,246
5	Payments to the Government housing Capital Receipts Pool	2
5,119	**Total Other Operating Expenditure**	**5,248**
(1,432)	Easements and other Capital Receipts (note 11)	(1,670)
3,687	**Total Other Operating Income and Expenditure**	**3,578**

11. Easements and other capital receipts

The Council received £1,071k in Right to Buy receipts (compared to £1,400k in 2017/18) and a further £599k in other capital receipts (£32k in 2017/18)

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

The net gain on disposal of plant, property and equipment amounts to £40k (compared to a net gain of £25k in 2017/18)

13. Financing and investment income and expenditure

Previous year 2017/18 £'000		Current year 2018/19 £'000
42	Interest Payable and similar charges	267
2,897	Net interest on the net defined benefit liability	3,041
(125)	(Surplus)/Deficit on Trading Undertaking (note 38)	(155)
296	(Surplus)/Deficit on Investment Properties (note 17)	2,567
3,110	**Total Financing and Investment Expenditure**	**5,720**
(608)	Interest receivable and similar income	(1,428)
2,502	**Total Financing and Investment Income and Expenditure**	**4,292**

14. Taxation and non-specific grant income

Previous year 2017/18 £'000		Current year 2018/19 £'000
(14,394)	Council tax income	(14,892)
(4,747)	Non domestic rates	(7,326)
(7,483)	Non ring-fenced government grants	(4,624)
(26,624)	**Total Taxation and Non Specific Grant Income**	**(26,842)**

15. Property, plant and equipment

Movement in 2018/19:

	Total Land & Buildings £'000	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 2018	50,261	4,488	1,097	698	0	**56,544**
Additions	1,025	315	0	0	0	**1,340**
Disposals	0	(333)	0	0	0	**(333)**
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	980	26	0	0	0	**1,006**
Revaluation Increases/(decreases) recognised in the surplus/deficit on the Provision of Services	(897)	0	0	0	0	**(897)**
Impairment (losses)/reversals recognised in the surplus/deficit on the provision of services	98	0	0	0	0	**98**
As at 31 March 2019	**51,467**	**4,496**	**1,097**	**698**	**0**	**57,758**
Accumulated Depreciation						
As at 1 April 2018	(2,077)	(1,022)	(120)	0	0	**(3,219)**
Depreciation charge	(1,452)	(483)	(16)	0	0	**(1,951)**
Depreciation written out to the surplus/deficit on the Provision of Services	842	0	0	0	0	**842**
Derecognition – Disposals	0	316	0	0	0	**316**
Derecognition – Reclassification	0	0	0	0	0	**0**
As at 31 March 2019	**(2,687)**	**(1,189)**	**(136)**	**0**	**0**	**(4,012)**
Net Book Value						
At 31 March 2019	**48,779**	**3,307**	**961**	**698**	**0**	**53,746**
At 31 March 2018	**48,184**	**3,465**	**978**	**698**	**0**	**53,525**

Comparative movements in 2017/18

	Total Land & Buildings £'000	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	0	**56,180**
Additions	455	619	2	4	0	**1,080**
Disposals	(90)	(147)	0	0	0	**(237)**
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	516	10	0	0	0	**526**
Revaluation Increases/(decreases) recognised in the surplus/deficit on the Provision of Services	(908)	(178)	0	0	0	**(1,086)**
Impairment (losses)/reversals recognised in the surplus/deficit on the provision of services	81	0	0	0	0	**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)	0	0	**(2,534)**
Depreciation charge	(1,369)	(362)	(16)	0	0	**(1,747)**
Depreciation written out to the surplus/deficit on the Provision of Services	792	114	0	0	0	**905**
Derecognition - Disposals	10	147	0	0	0	**157**
Derecognition - Reclassification	0	0	0	0	0	**0**
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**

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 2018.

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	281	0	825	694	**1,800**
Valued at current value at:					
1st April 2014					
31st December 2015	8,292	1,073	0	0	**9,365**
31st December 2016	4,120	1,486	136	0	**5,742**
31st December 2017	10,508	642	0	4	**11,154**
31st December 2018	25,578	106	0	0	**25,684**
Total	**48,779**	**3,307**	**961**	**698**	**53,745**

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 2017/18 £'000		Current year 2018/19 £'000
(1,002)	Rental Income from Investment Property	(1,845)
599	Operating Expenses and Financing costs arising from Investment Property	1,496
699	Net gains / Losses from fair value adjustments	3,341
296	**Total**	**2,567**

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

Previous year 2017/18 £'000		Current year 2018/19 £'000
6,004	Balance at the start of the year	17,633
12,328	Additions	12,076
(699)	Net gains / (losses) from fair value adjustments	(3,341)
0	Disposals	(259)
	Transfers:	
0	(To)/from Property, Plant & Equipment	0
17,633	**Balance at the end of the year**	**26,109**

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

Previous year 2017/18 £'000	Significant Unobservable Inputs (Level 2)	Current year 2018/19 £'000
17,283	Commercial Building	26,109
350	Commercial Land	0
17,633	**Investment Property**	**26,109**

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 2019 the Council had a capital commitment of £55,000 relating to the installation of new software.

19. Construction contracts

At 31 March 2019 the Council had one large construction contract in progress, which was:

- 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 2018 £'000	31 March 2019 £'000
Balance at start of year:		
• Gross carrying amounts	283	1,087
• Accumulated amortisation	(209)	(248)
Net carrying amount at start of year	**74**	**839**
Additions	804	822
Disposals	0	0
Amortisation for the period	(39)	(388)
Amortisation on disposal	0	0
Net Carrying amount at end of year	**839**	**1,273**
Comprising:		
• Gross carrying amounts	1,087	1,909
• Accumulated amortisation	(248)	(636)
Total Intangible Assets	**839**	**1,273**

21. Joint Operations

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 2018/19, £519k was received from the sale of land at phase III of the project. The draft unaudited accounts of the joint operation for the year ended 31 March 2019 disclose net assets of £1.216m and a net profit of £720k. The shares are jointly held with SSDC and Abbey Manor Developments Ltd each holding a 50% interest.

The Council has recently setup SSDC Opium Power Ltd which is a special purpose vehicle (SPV) set up to deliver a renewable energy project. The shares are jointly held with SSDC and Opium Power Limited each holding a 50% interest. The Council has provided a secured term loan facility to the SPV to finance the acquisition of long-term assets, with the loan to be fully repaid before any distribution of profit to shareholders. The facility will commence full operation during 2019/20. The draft unaudited accounts of the joint operation for the year ended 31 March 2019 disclose net liabilities of £222k and a net loss of £222k, reflecting the start-up phase of the business.

A copy of these accounts may be obtained from the Council by telephoning 01935 462462.

31 March 2018 £'000		31 March 2019 £'000
767	Lufton 2000	608
0	SSDC Opium Power Ltd	(111)
767	**Investment in Joint Operations**	**497**

31 March 2018 £'000		31 March 2019 £'000
767	Lufton 2000	608
0	SSDC Opium Power Ltd	(111)
767	**Useable Reserves – Share in Joint Operations**	**497**

31 March 2018 £'000		31 March 2019 £'000
(159)	Lufton 2000	159
0	SSDC Opium Power Ltd	111
(159)	**Share of Other Income and Expenditure in Joint Operations**	**270**

22. Heritage Assets

31 March 2018 £'000		31 March 2019 £'000
1,763	Balance at start of year	1,763
0	Additions	16
0	Revaluations/(Impairments)	10
1,763	**Total Heritage Assets**	**1,789**

23. Long term debtors

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

31 March 2018 £'000		31 March 2019 £'000
954	Loans	10,784
8	Mortgages	6
279	Rights to receipts – long term lease	276
37	Car/bike/learning loans	12
1,278	**Total Long Term Debtors**	**11,078**

Further information relating to long term debtors is contained within Note 34 on Financial Instruments.

24. Inventories

2017/18				2018/19		
SSDC Consumables	**Property Acquired or constructed for sale**	**Total**		**SSDC Consumables**	**Property Acquired or constructed for sale**	**Total**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
127	0	**127**	Balance 1 April	129	2,358	**2,487**
14	2,358	**2,375**	Purchases	14	1,326	**1,340**
(12)	0	**(12)**	Expenses in year	(10)	0	**(10)**
129	**2,358**	**2,487**	**Balance 31 March**	**133**	**3,684**	**3,817**

25. Short term debtors

31 March 2018 £'000		31 March 2019 £'000
603	Central Government Bodies	824
250	Other Local Authorities	454
0	NHS Bodies	1
6,325	Other Entities and Individuals	8,228
7,178	**Total Short Term Debtors**	**9,507**

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 2018 £'000		31 March 2019 £'000
12	Cash held by the Authority	13
2,230	Short-term deposits with Business Reserve accounts and Money Market Funds	480
2,242	**Total Cash and Cash Equivalents**	**493**
(949)	Bank overdrafts	(702)
1,293	**Net Cash and Cash Equivalents as per cashflow statement**	**(209)**

27. Short-term Borrowings

31 March 2018 £'000		31 March 2019 £'000
0	Other Local Authorities	(11,500)
0	Other Entities and Individuals	(8,000)
0	**Total Short Term Borrowing**	**(19,500)**

28. Short-term creditors

31 March 2018 £'000		31 March 2019 £'000
(1,283)	Central Government Bodies	(1,839)
(362)	Other Local Authorities	(1,388)
(9)	NHS Bodies	(8)
(5,653)	Other Entities and Individuals	(5,873)
(7,307)	**Total Short Term Creditors**	**(9,108)**

29. Long term liabilities – creditors

31 March 2018 £'000		31 March 2019 £'000
(95)	Other Entities and Individuals	(185)
(95)	**Total Long term Liabilities - Creditors**	**(185)**

The long term liabilities – creditors relate to garden waste income for 2019/20 which was paid in advance.

30. Provisions

31 March 2018 £'000		31 March 2019 £'000
(1,261)	Business Rates Provisions for Appeals	(1,313)
(88)	MMI Provision	(88)
(1,349)	**Total Provisions**	**(1,401)**

31. Developers contribution deferred

31 March 2018 £'000		31 March 2019 £'000
(3,336)	Balance at start of year	(3,799)
(1,439)	Additional Deposits	(735)
976	Applied Deposits	855
(3,799)	**Total Developers Contribution Deferred**	**(3,679)**

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

32. Usable reserves

31 March 2018 £'000		31 March 2019 £'000
(4,361)	General Fund Balance	(4,593)
(18,176)	Earmarked Reserves	(17,506)
(25,268)	Capital Receipts Reserve	(22,798)
(1,038)	Capital Grants Unapplied	(1,694)
(767)	Authority's share of Joint Operation	(497)
(49,610)	**Total Usable Reserves**	**(47,088)**

Capital Receipts Reserve

31 March 2018 £'000		31 March 2019 £'000
(29,857)	Balance of Usable Receipts at 1 April	(25,268)
(1,752)	Receipts from Sale of Assets	(2,132)
6,336	Receipts applied to finance Capital Expenditure	4,600
5	Amount payable to the housing capital receipt pool	2
(25,268)	**Total Capital Receipts Reserve**	**(22,798)**

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 2018 £'000		31 March 2019 £'000
(469)	Balance at start of year	(1,038)
(644)	Additional Capital Grants recognised through the Comprehensive Income and Expenditure Statement	(793)
75	Applied Deposits	137
(1,038)	**Total Capital Grants Unapplied**	**(1,694)**

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 2018/19. All earmarked reserves are revenue balances.

	Balance as at 31 March 2017 £'000	Transfers in 2017/18 £'000	Transfers out 2017/18 £'000	Balance as at 31 March 2018 £'000	Transfers in 2018/19 £'000	Transfers out 2018/19 £'000	Balance as at 31 March 2019 £'000
Capital Fund	(1,245)	(324)	295	(1,274)	(189)	186	(1,277)
Cremator Replacement Reserve	(651)	0	102	(549)	0	0	(549)
Internal Borrowing Repayments	(23)	(35)	0	(58)	(60)	0	(118)
Elections Reserve	(149)	(40)	0	(189)	(41)	0	(230)
Risk Management Reserve	(11)	0	11	0	0	0	0
Sports Facilities Reserve	(21)	0	0	(21)	(10)	0	(31)
Local Plan Inquiry Reserve	(71)	0	0	(71)	0	71	0
Yeovil Athletics Track Repairs	(125)	(26)	0	(151)	(18)	2	(167)
Planning Delivery Reserve	(26)	0	10	(16)	0	0	(16)
Bristol to Weymouth Rail Reserve	(11)	(15)	0	(26)	(2)	0	(28)
Local Authority Business Growth	(27)	0	13	(14)	0	14	0
Yeovil Refresh Reserve	(120)	(2)	0	(122)	0	10	(112)
IT Replacement Reserve	(17)	0	7	(10)	0	0	(10)
Insurance Fund	(53)	0	3	(50)	0	0	(50)
Transformation Fund	(783)	(3,342)	1,859	(2,266)	(388)	2,425	(229)
Treasury Management Reserve	(100)	0	0	(100)	(50)	0	(150)
Local Plan Implementation Fund	(125)	0	0	(125)	0	125	0
Revenue Grant Reserve	(673)	(343)	228	(788)	(436)	720	(504)
MTFP Support Fund	(6,624)	(896)	1,508	(6,012)	0	993	(5,019)
CTAX/Housing Benefits Reserve	(676)	(283)	334	(625)	(300)	103	(822)
Closed Churchyards Reserve	(3)	(15)	19	1	(13)	1	(11)
Health Inequalities	(32)	0	0	(32)	0	0	(32)
Deposit Guarantee Claims Reserve	(7)	(1)	3	(5)	0	1	(4)
Park Homes Replacement Reserve	(164)	0	0	(164)	(62)	0	(226)
Planning Obligations Admin Reserve	(35)	0	0	(35)	0	5	(30)
Local Strategic Partnership Reserve	(23)	0	15	(8)	0	8	0
Artificial Grass Pitch Reserve	(85)	(23)	0	(108)	(20)	0	(128)
Business Support Scheme (flooding)	(158)	0	19	(139)	0	17	(122)

	Balance as at 31 March 2017 £'000	Trans-fers in 2017/18 £'000	Trans-fers out 2017/18 £'000	Balance as at 31 March 2018 £'000	Trans-fers in 2018/19 £'000	Trans-fers out 2018/19 £'000	Balance as at 31 March 2019 £'000
Regeneration Fund	(932)	0	129	(803)	(1,508)	217	(2,094)
NNDR Volatility Reserve	(1,309)	(2,646)	0	(3,955)	0	0	(3,955)
Ticket Levy Income	(6)	(118)	89	(35)	(141)	112	(64)
Waste Reserve	(230)	0	15	(215)	(79)	0	(294)
Community Housing Fund	(263)	0	52	(211)	0	0	(211)
Community Safety Reserve	0	0	0	0	(79)	0	(79)
Housing and Homelessness Reserve	0	0	0	0	(458)	0	(458)
Commercial Investment Reserve	0	0	0	0	(132)	0	(132)
Spatial Policy Reserve	0	0	0	0	(334)	0	(334)
YIC Maintenance Reserve	0	0	0	0	(20)	0	(20)
Total Reserves	**(14,778)**	**(8,109)**	**4,711**	**(18,176)**	**(4,340)**	**5,010**	**(17,506)**

33. Unusable reserves

31 March 2018 £'000		31 March 2019 £'000
(21,593)	Revaluation Reserve	(21,981)
(524)	Available for Sale Financial Instruments Reserve	0
0	Pooled Fund Adjustment Account	(430)
(35,872)	Capital Adjustment Account	(33,915)
(291)	Deferred Capital Receipts	(286)
81,138	Pensions Reserve	76,596
886	Collection Fund Adjustment Account	(1,043)
249	Accumulating Compensated Absences Adjustment Account	244
23,993	**Total Unusable Reserves**	**19,185**

Revaluation Reserve

The Revaluation Reserve holds the unrealised revaluation gains which have arisen, since 1 April 2007, from holding property, plant 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 2018 £'000		31 March 2019 £'000
(21,689)	Balance at start of year	(21,593)
(1,457)	Revaluation gains on non-current assets	(1,699)
931	Downward revaluation on non-current assets	683
35	Disposals of non-current assets	14
587	Current value depreciation transferred to Capital Adjustment Account	614
(21,593)	**Total Revaluation Reserve**	**(21,981)**

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 2018 £'000		31 March 2019 £'000
(394)	Balance at start of year	(524)
0	Loss on derecognition/maturity	0
0	Reclassification of financial instruments	524
(130)	Revaluation gains on available for sale financial instruments reserve	0
(524)	**Total Available-for-Sale Financial Instruments Reserve**	**0**

The introduction of IFRS9 Financial Instruments with effect from 1 April 2018 has removed this reserve.

The transition to IFRS9 states that the balance of the Available for Sale Reserve should be either transferred to the General Fund Opening Balance or to the Pooled Fund Adjustment Account (see below).

Pooled Fund Adjustment Account

This is a new account and is the adjustment account introduced to manage the fair value process for Pooled Fund Financial Assets.

31 March 2018 £'000		31 March 2019 £'000
	Balance at start of year	0
	Reclassification of financial instruments	(535)
	Loss on derecognition/maturity	0
	Revaluation losses on pooled fund adjustment account	106
	Total Pooled Fund Adjustment Account	**(429)**

The change to IFRS9 means that pooled funds are accounted for at fair value through profit and loss with the changes in fair value being taken to the Comprehensive Income and Expenditure statement.

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 2018			31 March 2019	
£'000	£'000		£'000	£'000
	(32,017)	**Balance at start of year**		(35,872)
(6,336)		Capital Expenditure financed from Capital Receipts	(4,600)	
(587)		Current value depreciation transferred from Revaluation Reserve	(614)	
(169)		Minimum Revenue Provision	(221)	
(295)		Revenue Contribution to capital	(186)	
(2,024)		Capital Grants and Contributions Applied	(1,525)	
	(9,411)			**(7,146)**
		Less:		
2,723		Write down of Revenue Expenditure funded from Capital under Statute	2,969	
60		Carrying amount of assets disposed	108	
1,785		Depreciation	2,341	
86		Impairment	(54)	
699		Movement in market value of Investment Property	3,505	
203		Repayment of Capital Loans	234	
	5,556			**9,103**
	(35,872)	**Total Capital Adjustment Accounts**		**(33,915)**

Deferred Credits Account

31 March 2018 £'000		31 March 2019 £'000
(300)	Balance at start of year	(291)
6	Repayment of mortgages on sale of Council Houses	2
3	Right to Receipts – St Johns Ambulance	3
(291)	**Total Deferred Credits**	**(286)**

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 2018 £'000		31 March 2019 £'000
86,471	Balance at start of year	81,138
(9,204)	Re-measurement of the net defined benefit liability	(8,005)
7,233	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	7,067
(3,362)	Employer's pensions contributions and direct payments to pensioners payable in year	(3,604)
81,138	**Total Pensions Reserve**	**76,596**

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 2018 £'000		31 March 2019 £'000
(780)	Balance at start of year	886
47	Collection Fund Adjustment in year for Council Tax	146
1,619	Collection Fund Adjustment in year for non-domestic rates	(2,075)
886	**Total Collection Fund Adjustment Account**	**(1,043)**

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 2019. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfer to or from the Account.

31 March 2018			31 March 2019	
£'000	£'000		£'000	£'000
	250	**Balance at start of year**		**249**
(250)		Settlement or cancellation of accrual made at the end of preceding year	(249)	
249		Amounts accrued at the end of the current year	245	
	(1)	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)
	249	**Total Accumulating Compensated Absences Adjustment Account**		**245**

34. Financial Instruments

The Authority's accounting policies relating to financial instruments are in accordance with the 2018/19 Code of Practice on Local Authority Accounting.

Financial Instruments Balances

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

31 March 2018			31 March 2019	
Long Term £'000	Current £'000	**Financial Liabilities**	Long Term £'000	Current £'000
		Loans at amortised cost:		
		Principal sum borrowed		19,500
		Accrued interest		16
0	**0**	**Total Borrowing**	**0**	**19,516**
		Liabilities at amortised cost:		
95	3,484	Trade payables	185	3,188
81	56	Finance Lease	51	30
176	**3,540**	**Included in Creditors**	**236**	**3,218**
176	**3,540**	**Total Financial Liabilities at amortised cost**	**236**	**22,734**

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

31 March 2018			31 March 2019	
Long Term £'000	**Current £'000**	**Financial Assets**	**Long Term £'000**	**Current £'000**
		At amortised cost		
4,280	9,978	Principal	1,000	2,000
		Accrued Interest	4	3
		Loss Allowance		(1)
		At fair value through profit & loss		
4,164	16,147	Fair value	2,129	25,687
8,444	**26,125**	**Total Investments**	**3,133**	**27,689**
		At amortised cost		
	400	Principal		0
		Accrued Interest		
		Loss Allowance		
		At fair value through profit & loss		
	1,830	Fair value		481
	2,230	**Total Cash and Cash Equivalents**		**481**
		At amortised cost		
		Trade receivables		2,590
	1,765	Loans and Receivables	11,079	2,046
	1,765	**Included in Debtors**	**11,079**	**4,636**
8,444	**30,120**	**Total Financial Assets**	**14,212**	**32,806**

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					31 March 2019			
Financial Liabilities	Financial Assets				Financial Liabilities	Financial Assets		
Amortised Cost £'000	Amortised Cost £'000	Fair Value through Profit & Loss £'000	Total £'000	Financial Assets	Amortised Cost £'000	Amortised Cost £'000	Fair Value through Profit & Loss £'000	Total £'000
42			42	Interest expense	267			267
				Losses on derecognition			5	5
				Losses from change in fair value			3	3
42			**42**	**Interest payable and similar charges**	**267**		**8**	**275**
	(223)	(384)	(607)	Interest income		(456)	(970)	(1,426)
				Gains on derecognition				
				Gains from change in fair value			(14)	(14)
	(223)	**(384)**	**(607)**	**Interest & Investment Income**		**(456)**	**(984)**	**(1,440)**
42	**(223)**	**(384)**	**(565)**	**Net impact on (surplus)/deficit on provision of services**	**267**	**(456)**	**(976)**	**(1,165)**
		(130)	(130)	(Gain)/Losses on revaluation			106	106
42	**(223)**	**(514)**	**(695)**	**Net (Gain)/Loss for the year**	**267**	**(456)**	**(870)**	**(1,059)**

Transition to IFRS 9 Financial Instruments

The Council adopted the IFRS 9 Financial Instruments accounting standard with effect from 1st April 2018. The main changes include the reclassification and re-measurement of financial assets and the earlier recognition of the impairment of financial assets.

The Council has made use of the transitional provisions in IFRS 9 to not restate the prior year's financial statements, and the effect of the remeasurement is instead shown as an additional line in the Movement in Reserves Statement. The changes made on transition to the balance sheet are summarised below:

	IAS 39 31 March 2018 £'000	Reclassification £'000	Impairment £'000	IFRS 9 1 April 2018 £'000
FINANCIAL ASSETS				
Investments				
Loans & Receivables/Amortised Cost	12,521	0	(2)	12,519
Available for Sale/FVOCI	6,776	(6,776)		0
FVPL	0	6,776		6,776
Total Investments	**19,296**	**0**	**(2)**	**19,294**
Cash & Cash equivalents				
Loans & Receivables/Amortised Cost	(537)	1,831		1,294
Available for Sale/FVOCI	0	0	0	0
FVPL	15,436	(1,831)		13,605
Total Cash & Cash Equivalents	**14,899**	**0**	**0**	**14,899**
Debtors				
Loans & Receivables/Amortised Cost	**1,765**	**0**	**(1)**	**1,764**
TOTAL FINANCIAL ASSETS	**35,961**	**0**	**(3)**	**35,958**
FINANCIAL LIABILITIES				
Finance Lease				
Amortised Cost	(137)	0	0	(137)
Creditors				
Amortised Cost	(3,579)	0	0	(3,579)
TOTAL FINANCIAL LIABILITIES	**(3,716)**	**0**	**0**	**(3,716)**
RESERVES				
Usable Reserves				
General Fund	(22,537)	11	3	(22,523)
Other Usable Reserves	(27,073)			(27,073)
Total Usable Reserves	**(49,610)**	**11**	**3**	**(49,595)**
Unusable Reserves				
Available for Sale Financial Instruments Reserve	(524)	524		0
Capital Adjustment Account	(35,872)		0	(35,872)
Other Unusable Reserves	60,389	(536)		59,853
Total Unusable Reserves	**23,993**	**(11)**	**0**	**23,982**
TOTAL RESERVES	**(25,617)**	**0**	**3**	**(25,614)**

Financial Instruments – Fair Values

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For these 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 2019 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 Liabilities

31 March 2018			Fair Value Level	31 March 2019	
Carrying Amount £'000	**Fair Value £'000**	**Financial Liabilities**		**Carrying Amount £'000**	**Fair Value £'000**
		Financial Liabilities held at Amortised Cost			
		Long Terms Loans from PWLB			
		Other Long Term Loans	3	19,516	19,519
137	137	Finance Lease		81	81
	137	**Total**			**19,600**
3,579		Liabilities for which fair value is not disclosed	*	3,373	
3,716		**Total Financial Liabilities**		**22,970**	
		Recorded on Balance Sheet as:			
3,579		Short Term Creditors		3,373	
56		Short Term Borrowing		19,567	
81		Long Term Borrowing		30	
3,716				**22,970**	

* The fair value of short-term financial liabilities held at amortised cost, including trade payables, is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the authority's loans includes loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

Financial Assets

31 March 2018 Carrying Amount £'000	31 March 2018 Fair Value £'000	Financial Assets	Fair Value Level	31 March 2019 Carrying Amount £'000	31 March 2019 Fair Value £'000
		Financial Assets held at Fair Value			
1,831	1,831	Money Market Funds	1	481	481
13,605	13,605	Bond, Equity and Property Funds	1	23,679	23,679
6,776	6,776	Covered Bonds & Floating Rate Notes	1	4,137	4,137
		Financial Assets held at Amortised Cost			
(937)	(937)	Bank Accounts		(689)	(689)
12,921	12,921	Term Deposits		3,007	3,007
1,399	1,399	Loans made for Service Purposes	3	12,366	12,366
35,595	**35,595**	**Total**		**42,981**	**42,981**
366		Assets for which fair value is not disclosed		2,905	
35,961		**Total Financial Assets**		**45,886**	
		Recorded on Balance Sheet as:			
7,170		Long Term Investments		3,134	
1,278		Long Term Debtors		11,079	
12,126		Short Term Investments		4,010	
487		Short Term Debtors		4,192	
14,900		Cash & Cash Equivalents		23,471	
35,961				**45,886**	

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 2019. 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 2019 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**	
	31/03/2019	**31/03/2018**	**31/03/2019**	**31/03/2018**
	£'000	**£'000**	**£,000**	**£'000**
AAA	2,000	4,000	2,480	5,330
AA+				
AA				
AA-				1,500
A+				
A				3,400
A-				
Unrated Local Authorities	1,000	3,000	2,000	5,000
Unrated Pooled Funds			23,250	12,000
Total Investments (nominal amount)	**3,000**	**7,000**	**27,730**	**27,230**

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.

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates.

The Council's current borrowing matures in April 2019, there will be a need to replace this borrowing. There will be an additional borrowing requirement going forward, the Council ensure that borrowing costs are kept to a minimum and seek advice from its Treasury Management advisors to ensure this is achieved.

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 2019, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

31 March 2018 £'000		31 March 2019 £'000
0	Increase in interest payable on variable rate borrowings	191
(70)	Increase in interest receivable on variable rate investments	(40)
(70)	**Impact on Surplus or Deficit on the Provision of Services**	**151**
0	Decrease in fair value of fixed rate borrowings	0
145	Decrease in fair value of fixed rate investments	73

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 £10m nominal value per fund. A 5% fall in commercial property prices or share prices would result in a £660k 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.

35. Cash Flow Statement – Operating activities

The cash flows for operating activities include the following items:

Previous Year 2017/18 £'000		Current Year 2018/19 £'000
591	Interest received	1,116
(42)	Interest paid	(61)
549	**Net Cash Flows from Operating Activities relating to interest**	**1,055**

Previous Year 2017/18 £'000		Current Year 2018/19 £'000
1,787	Depreciation and amortisation	2,339
99	Impairment and downward valuations	(43)
699	Movement in market value of investment property	3,600
(2,847)	Increase/(decrease) in creditors	1,892
(2,033)	(Increase)/decrease in debtors	(2,775)
(2,360)	(Increase)/decrease in inventories	(1,330)
463	Increase/(decrease) in developer contributions	(120)
(867)	Increase/(decrease) in provisions	52
3,871	Movement in pension liability	3,463
80	Carrying amounts of non-current assets and non-current assets held for sale, sold or derecognized	17
0	Other non-cash items charged to the net surplus or deficit on the provision of services	0
(1,108)	**Total Adjustments for Non-Cash Movements**	**7,095**

Previous Year 2017/18 £'000		Current Year 2018/19 £'000
(1,744)	Proceeds from the sale of property, plant and equipment and intangible assets	(2,132)
0	Any other items for which the cash effects are investing or financing cash flows	0
(1,744)	**Total Adjustments for Investing and Financing Activities**	**(2,132)**

36. Cash Flow Statement – Investing activities

Previous Year 2017/18 £'000		Current Year 2018/19 £'000
(14,212)	Purchase of property, plant and equipment, investment property and intangible assets	(14,254)
(314,417)	Purchase of short-term and long-term investments	(215,578)
0	Other payments for investing activities	(9,840)
1,745	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,132
333,819	Proceeds from sale of short-term and long-term investments	217,470
458	Other receipts from investing activities	481
7,393	**Net Cash Flows from Investing Activities**	**(19,589)**

37. Cash Flow Statement – Financing activities

Previous Year 2017/18 £'000		Current Year 2018/19 £'000
0	Cash receipts of short-term borrowing	19,500
(52)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(30)
(52)	**Net Cash Flows from Financing Activities**	**19,470**

38. Trading operations

Until 31st March 2018 the Council operated four trading activities. From the 1st April 2018 these have been reviewed against the CIPFA guidance and reclassified to reflect their current purpose. Properties which are not investment properties have been classified as other activities, our markets classified to economic development and our catering function now held as an internal support service.

Careline South Somerset remains a trading operation. It is an emergency response system for people who need reassurance that help is at hand at the push of a button 24 hours a day, 365 days a year.

Previous Year		Current Year		
2017/18 (Surplus)/Deficit £'000		2018/19 Expenditure £'000	2018/19 Income £'000	2018/19 (Surplus)/Deficit £'000
(125)	Careline	255	(409)	(154)
(125)	**Total Trading Accounts**	**255**	**(409)**	**(154)**

39. Members' Allowances

Previous Year 2017/18 £'000		Current Year 2018/19 £'000
389	Basic Allowance	397
118	Special Responsibility Allowance	112
16	Expenses	17
523	**Total Members Allowance**	**526**

Further information on Members' allowances is available on our website and may also be obtained from the People Management Team.

40. Officers' Remuneration

During the 2018/19 financial year the number of officers who received remuneration, which includes salary, leased car and termination payments, in excess of £50k were as follows:

2017/18			Remuneration Band	2018/19		
Total	Left during year	Compensation for loss of office		Total	Left during year	Compensation for loss of office
5	2	1	£50,000 - £54,999	10	4	4
3	2	2	£55,000 - £59,999	23	10	10
3	3	3	£60,000 - £64,999	7	3	3
1	1	1	£65,000 - £69,999	4	2	2
			£70,000 - £74,999	6	4	4
3	0	1	£75,000 - £79,999	3	3	3
			£80,000 - £84,999	1	1	1
1	1	1	£85,000 - £89,999	2	2	2
			£90,000 - £94,999	1	1	1
2	2	2	£95,000 - £99,999			
			£100,000 - £104,999	4	1	1
1	0	0	£110,000 - £114,999			
1	1	1	£120,000 - £124,999			
			£145,000 - £149,999	1	0	0
			£180,000 - £184,999	1	1	1
1	1	1	£185,000 - £189,999			

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 2018/19 Post Title	Name of officer	Salary (including Fees & Allowances) £'000	Benefits in kind £'000	Compen-sation for loss of office £'000	Total Remuneration (excl. pension contribution) £'000	Pension Contribution £'000	Total Remuneration (incl. pension contribution) £'000
Chief Executive	A Parmley	113	2	0	**115**	18	**133**

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

Current Year 2018/19 Post Title	Salary (including Fees & Allowances) £'000	Benefits in kind £'000	Compen-sation for loss of office £'000	Total Remuneration (excl. pension contribution) £'000	Pension Contribution £'000	Total Remuneration (incl. pension contribution) £'000
Strategic Lead for Transformation	66	0	94	**160**	11	**171**
Director (Strategy and Support Services)	79	0	0	**79**	13	**92**
Director (Service Delivery)	80	1	0	**81**	13	**94**
Director (Commercial Services & Income Generation	79	1	0	**80**	13	**93**
Lead Specialist Legal/Monitoring Officer	53	0	0	**53**	9	**62**

The Council's S151 Officer is employed by Somerset West and Taunton Council (SWTC) and SSDC pays SWTC 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 SWTC Statement of Accounts. However, in the interests of transparency, note the total costs charged SSDC for this post in 2018/19 was £42,680 including salary, on costs and expenses.

Previous Year 2017/18 Post Title	Salary (including Fees & Allowances) £'000	Benefits in kind £'000	Compen-sation for loss of office £'000	Total Remuneration (excl. pension contribution) £'000	Pension Contribution £'000	Total Remuneration (incl. pension contribution) £'000
Strategic Director (Place & Performance)	42	0	146	**188**	7	**195**
Assistant Director (Legal & Corporate Services) (until October 2017)	52	0	0	**52**	8	**60**
Lead Specialist Legal/Monitoring Officer (Monitoring Officer from November 2017)	53	0	0	**53**	9	**62**
Director (Strategy and Support Services) (from September 2017)	40	0	0	**40**	6	**46**
Director (Service Delivery)	79	1	0	**80**	12	**92**
Director (Commercial Services & Income Generation	77	0	0	**77**	12	**89**

Exit Packages

The total cost of £1.960m for 2018/19 (£871k for 2017/18) 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	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18 £'000	2018/19 £'000
£0 - £20,000	1	5	5	7	6	12	77	169
£20,001 - £40,000	2	15	9	24	11	39	335	1,160
£40,001 - £60,000	0	3	4	6	4	9	178	411
£60,001 - £80,000	2	2	0	0	2	2	135	126
£80,001 - £100,000	0	1	0	0	0	1	0	94
£100,001 - £150,000	0	0	1	0	1	0	146	0
TOTAL	**5**	**26**	**19**	**37**	**24**	**63**	**871**	**1,960**

Termination Benefits

The authority terminated the contracts of 63 employees in 2018/19, incurring liabilities of £1.960m (£871k in 2017/18). These officers were made redundant as part of the Authority's transformation of services.

41. Audit Costs

In 2018/19 the Council incurred the following fees relating to external audit and inspection:

Previous Year 2017/18 £'000		**Current Year 2018/19 £'000**
49	Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor	38
16	Fees payable to Grant Thornton UK LLP for the certification of grant claims and returns	10
65	**Total Audit Costs**	**48**

42. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive income and Expenditure Statement in 2018/19.

Previous Year 2017/18 £'000		**Current Year 2018/19 £'000**
2,594	Capital Grants	2,181
3,896	New Homes Bonus	2,007
803	Revenue Support Grant (UK Government)	269
190	Other non-specific Government Grant	166
7,483	**Total Grants credited to taxation and Non-Specific Grant income and Expenditure**	**4,623**
1,117	Business Rates Tax loss reimbursement	2,680
224	Cost of Collection – Business Rates	223
38,426	Housing Benefits	33,011
156	Homelessness Grants	443
232	Miscellaneous Grants	286
40,155	**Total Grants credited to services**	**36,643**
47,638	**Total Grants**	**41,266**

43. Related Party Transactions

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

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

Transactions to and from the Pension Fund are detailed on pages 70 to 73 in Note 48 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 2018/19	SSDC Councillor
Access For All Solutions	£9,000 Service Level Agreement	Cllr S Dyke
Parrett Drainage Board	£62,039 as a special levy	Cllr M Lewis Cllr G Tucker Cllr N Weeks
South West Audit Partnership	£102,432 Audit Fees/Work	Cllr D Norris
South West Councils	£7,810 Subscription and training	Cllr S Seal
Local Government Association	£16,807 Membership, Conference, Training & Advice	Cllr R Pallister
St Peters Church Hall Replacement	£90,906 Community Hall Capital Claim Payment	Cllr J Clark
Somerton & Frome Conservatives	£6,195 Councillors deductions	Cllr H Burt
UNISON	£17,683 Employees subscriptions	Cllr D Bulmer

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

44. Capital expenditure and financing

Previous Year 2017/18			Current Year 2018/19	
£'000	£'000		£'000	£'000
	9,338	**Opening Capital financing Requirement**		17,439
		Capital Expenditure		
805		Intangible Non-Current Assets	821	
12,879		Non-Current Assets	23,077	
519		Assets under Construction	1,547	
0		Long Term Debtors	0	
2,723		Revenue Expenditure funded from Capital under Statute	2,969	
	16,926			28,414
		Sources of Finance		
(6,337)		Use of Capital Receipts	(4,560)	
(2,024)		Government Grants & Other Contributions	(1,525)	
(295)		Capital expenditure charged against the capital fund	(186)	
(169)		Minimum Revenue Provisions	(221)	
	(8,825)			(6,492)
	17,439	**Closing Capital Financing Requirement**		39,361

45. 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 2018 £'000		31 March 2019 £'000
119	Vehicles, Plant, Furniture and Equipment	77
119	**Total Carrying Amount of Leases**	**77**

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 2018 £'000		31 March 2019 £'000
138	Finance lease liabilities (net present value of minimum lease payments)	81
3	Finance Cost Payable in future years	5
141		**86**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000
Not later than one year	55	33	56	30
Later than one year and not later than five years	86	53	82	51
Later than five years	0	0	0	0
Total Finance Lease Payments	**141**	**86**	**138**	**81**

Operating Leases

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

31 March 2018		£'000		31 March 2019		£'000
Vehicles, Plant & Equipment	Property	**Total**		Vehicles, Plant & Equipment	Property	**Total**
42	22	**64**	Not later than one year	42	28	**70**
6	90	**96**	Later than one year and not later than five years	48	90	**138**
0	869	**869**	Later than five years	0	869	**869**
48	**981**	**1,029**	**Total Operating Lease Payments**	**90**	**987**	**1,077**

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

Previous Year 2017/18 £'000		Current Year 2018/19 £'000
	Minimum lease payments	
129	• Vehicles, Plant and Equipment	42
35	• Property	35
164	**Total Operating Lease Payments Charge to the Comprehensive Income and Expenditure Statement**	**77**

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 2018/19 totalled £1.648m (2017/18 £1.008m).

46. Impairment Losses

During 2018/19, the Authority recognised a net impairment loss of £4.113m (£2.002m in 2017/18). This was made up of £4.004 reduction in value and £109k of reversing previous impairment losses.

The impairment losses of £3.430m have been charged to various service lines on the Comprehensive Income and Expenditure Statement and downward revaluations of £683k have been charged to the Revaluation Reserve.

47. 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 2019 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 2017/18			Current Year 2018/19	
£'000	**£'000**		**£'000**	**£'000**
		Comprehensive Income and Expenditure Statement		
		Cost of Services:		
4,280		• Current service costs	3,966	
598		• Past service and curtailment costs	1,009	
56		• Administration Expenses	60	
	4,934			5,035
		Financing and Investment Income and Expenditure		
4,922		• Interest Cost	4,578	
(2,623)		• Return on Assets	(2,546)	
	2,299			2,032
	7,233	**Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement**		**7,067**

Previous Year 2017/18 £'000	Previous Year 2017/18 £'000		Current Year 2018/19 £'000	Current Year 2018/19 £'000
		Other Post Employment benefit charged to the Comprehensive Income and Expenditure Statement		
		Remeasurement of the net defined benefit liability comprising:		
(2,134)		Return on plan fund assets in excess of interest	(2,710)	
(7,070)		Change in financial assumptions	(5,295)	
		Change in demographic assumptions		
		Experience gain on defined benefit obligation		
		Other actuarial (gains)/losses on assets		
	(9,204)	**Total remeasurement of net defined benefit liability**		**(8,005)**
	(1,971)	**Total post employment benefit charged to the Comprehensive Income and Expenditure Statement**		**(938)**
		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:		
(3,149)		• Employer's contributions payable to scheme	(3,389)	
(213)		• Retirement benefits payable to pensioners	(215)	
	(3,362)			**(3,604)**

The change in financial assumptions reflects a decrease in the discount rate from 2.55% to 2.40%. 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 2019 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 2017/18 £'000		Current Year 2018/19 £'000
178,779	Present Value of Funded Obligation	178,055
(100,645)	Fair Value of Assets in Scheme	(104,227)
78,134	**Net Liability**	**73,828**
3,004	Present Value of Unfunded Obligation	2,768
81,138	**Closing Balance at 31 March**	**76,596**

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total liability of £76.596m has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in an overall balance of £27.903m. 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 2017/18 £'000		Current Year 2018/19 £'000
184,778	Opening Balance at 1 April	181,783
4,280	Current service cost	3,966
4,922	Interest cost	4,578
	Remeasurement (gains) and losses:	
(7,070)	Actuarial gains/losses from change in financial assumptions	5,040
0	Actuarial gains/losses from change in demographic assumptions	(10,335)
0	Experience loss/(gain) on defined benefit obligation	0
0	Liabilities assumed/(extinguished) on settlements	0
(6,204)	Estimated benefits paid net of transfers in	(5,692)
598	Past service costs, including curtailments	1,009
692	Contributions by scheme participants	689
(213)	Unfunded Pension Payments	(215)
181,783	**Closing balance at 31 March**	**180,823**

Reconciliation of Fair Value of Scheme Assets

Previous Year 2017/18 £'000		Current Year 2018/19 £'000
98,307	Opening Balance at 1 April	100,645
2,623	Interest on Assets	2,546
2,134	Return on Assets less interests	2,710
0	Other actuarial gains/(losses)	0
(56)	Administration expenses	(60)
3,362	Contribution by the employers	3,604
692	Contributions by scheme participants	689
(6,417)	Benefits paid	(5,907)
0	Settlement prices received/(paid)	0
100,645	**Closing balance at 31 March**	**104,227**

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	177,550	180,823	184,161
Projected service cost	3,860	3,953	4,049
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	180,977	180,823	180,670
Projected service costs	3,953	3,953	3,953
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	184,004	180,823	177,700
Projected service costs	4,049	3,953	3,860
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present value of total obligation	187,800	180,823	174,114
Projected service costs	4,079	3,953	3,831

Projected Pension Expense for the year to 31 March 2020

	Year to 31 March 2020 £'000
Service Cost	3,953
Net Interest on the defined liability	1,795
Administration expenses	62
Total Loss/(Profit)	**5,810**
Employer Contributions	**3,346**

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 2018		31 March 2019
2.30%	Rate of inflation (CPI)	2.40%
3.80%	Rate of general long-term increase in salaries	3.90%
2.30%	Rate of increase to pensions in payment	2.40%
2.30%	Rate of increase to deferred pensions	2.40%
2.55%	Discount Rate	2.40%

Assumed life expectations from aged 65 (years) are:

	Males	Females
Current Pensioners	22.9	24.0
Future Pensioners (20 years from now)	24.6	25.8

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 2018	Value of total Scheme as at 31 March 2018 £'000		% of total Scheme as at 31 March 2019	Value of total Scheme as at 31 March 2019 £'000
71	71,846	Equity Investments	70	72,847
6	5,446	Government Bonds	6	5,919
9	9,427	Corporate Bonds	9	9,521
10	9,555	Property	9	9,074
4	4,371	Cash	6	6,866
100	**100,645**		**100**	**104,227**

48. 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 the Council. A specific working group manages any risks within existing revenue and capital budgets.

In transferring employees to the Somerset Waste Partnership (SWP) the Council agreed a guarantee of last resort to the Somerset County Council Pension Fund for those employees transferred to Kier Group. 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. The most recent actuarial valuation assessed the deficit at £275K. In addition, the contract with May Gurney CIC (now Kier Group) is to be terminated early in order that a new waste collection contract can be awarded, and as part of this process the Council's guarantee will be withdrawn.

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

During the most recent year members of the national Firefighters (Sargeant case) and Judiciary (McCloud case) pension funds have taken the Government to court over whether protections provided to those within 10 years of retirement as part of transition regulations when the schemes were changed constitute discrimination on age grounds. On 20th December 2018 the Court of Appeal found that these protections were unlawful on the grounds of age discrimination and could not be justified. The Government has applied to the Supreme Court for permission to appeal the Court of Appeal decision but currently this appeal has not been resolved. Although the cases above are not directly related to the Local Government Pension Scheme (LGPS), similar protections were given when the LGPS moved to the new scheme in 2014 and therefore it is likely that if the Government loses the cases then changes to the LGPS would need to be made. There remains considerable uncertainty around this both in terms of the legal process and the eventual remedy that is put in place for the LGPS if required. If the Government loses the cases the best estimate of the potential impact that is currently available is a broad indication of between 0.5% and 1% of LGPS liabilities according to the Government Actuary's Department. Whilst this looks at a national picture the impact on any given employer could be significantly different to this range. Due to the level of uncertainty both in terms of possible outcomes and quantum we have not made any provision for this in the accounts.

49. Dorcas House

Dorcas House (otherwise known as Portreeves or Corporation Almshouses) is a registered charity, No 235337, whose trusteeship is vested in the 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 2017/18 £'000		**Current Year 2018/19 £'000**
(3)	Total Income for the Year	(3)
1	Total Expenditure of the Year	0
(2)	**Deficit/(Surplus) for the Year**	**(3)**

(Brackets represent income)

Previous Year 2017/18 £'000		**Current Year 2018/19 £'000**
445	Capital & Unrestricted Funds	448
445	**Total Reserves**	**448**

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

Collection Fund Account

Income and Expenditure Account for the year ended 31 March 2019

This account reflects the statutory requirement contained in section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) for billing authorities to establish and maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and National Non Domestic Rates (NNDR).

Previous Year 2017/18		**Year Ended 31 March 2019**		
Collection Fund £'000		**Business Rates £'000**	**Council Tax £'000**	**Collection Fund £'000**
	Income			
(97,244)	Council Tax Receivable		(103,252)	(103,252)
(39,986)	Business Rates Receivable	(45,756)		(45,756)
	Transitional Protection Payments			
	Apportionment of Previous Year Deficit			
	Central Government	(1,198)		(1,198)
	Somerset County Council	(216)		(216)
	Devon & Somerset Fire & Rescue	(24)		(24)
	South Somerset District Council (including Parishes)	(959)		(959)
(137,230)	**Total Income**	**(48,153)**	**(103,252)**	**(151,405)**
	Expenditure			
20,820	**Precepts and Demands**	20,800		20,800
70,462	Central Government	3,744	71,516	75,260
10,784	Somerset County Council		11,626	11,626
5,254	Police and Crime Commissioner for Avon & Somerset	416	5,040	5,456
31,559	Devon & Somerset Fire & Rescue	17,125	14,992	32,117
	South Somerset District Council (including Parishes)			
648	**Apportionment of Previous Year Surplus**			
480	Central Government		295	295
60	Somerset County Council		48	48
40	Police and Crime Commissioner for Avon & Somerset		21	21
594	Devon & Somerset Fire & Rescue		63	63
	South Somerset District Council (including Parishes)			
840	**Charges to Collection Fund**	94	221	315
(62)	Write offs of uncollectable amounts	176	433	609
(1,618)	Increase/(Decrease) in bad debt	132		132
224	Increase/(Decrease) in Provision for Appeals	224		224
1,543	Cost of Collection	615		615
	Transitional Protection Payments			
	Interest Payable			
141,628	**Total Expenditure**	**43,326**	**104,255**	**147,581**
4,398	**(Surplus)/Deficit for Year**	(4,827)	1,003	(3,824)
(2,376)	**Balances at Start of Year**	2,592	(570)	2,022
2,022	**Balances at End of Year**	(2,235)	433	(1,802)

Previous Year 2017/18	Attributable to:	Year Ended 31 March 2019		
Collection Fund £'000		Business Rates £'000	Council Tax £'000	Collection Fund £'000
1,296	Central Government	(1,118)		(1,118)
(161)	Somerset County Council	(201)	299	98
(64)	Police and Crime Commissioner for Avon & Somerset		50	50
(2)	Devon & Somerset Fire & Rescue	(22)	21	(1)
953	South Somerset District Council (including Parishes for Council Tax)	(894)	63	(831)
2,022		(2,235)	433	(1,802)

(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 2017/18.

Tax Base						
Previous Year 2017/18					**Current Year 2018/19**	
Effective No of dwellings	Band D Equivalent	Weighting	Tax Band	Property Value (at April 1991)	Effective No of dwellings	Band D Equivalent
10	5	5/9ths	A-	Disabled band	7	4
8,532	5,688	6/9ths	A	Up to £40,000	8,568	5,712
19,880	15,463	7/9ths	B	Between £40,001 & £52,000	19,966	15,529
14,579	12,959	8/9ths	C	Between £52,001 & £68,000	14,683	13,051
10,823	10,823	1	D	Between £68,001 & £88,000	10,993	10,994
8,635	10,554	11/9ths	E	Between £88,001 & £120,000	8,726	10,665
4,450	6,427	13/9ths	F	Between £120,001 & £160,000	4,518	6,526
1,748	2,913	15/9ths	G	Between £160,001 & £320,000	1,760	2,933
142	285	18/9ths	H	Over £320,000	142	285
68,799	**65,117**				**69,363**	**65,699**
	(599)			Less adjustment for non-collection and banding reductions		(606)
	(5,205)			Less adjustment for Council Tax Reduction Scheme		(5,105)
	59,313			**Council Tax Base**		**59,988**

Details of the precepts are shown below:

Previous Year 2017/18 £	Precepting Authorities	Current Year 2018/19 £
66,714,718	Somerset County Council	71,515,639
10,783,504	Police and Crime Commissioner for Avon & Somerset	11,626,109
4,838,165	Devon & Somerset Fire & Rescue Authority	5,039,615
9,340,618	District Council's own requirement	9,746,896
5,025,361	Total of Parish Precepts & Levies	5,228,082

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

Previous Year 2017/18 £	Council Tax Levy at Band D	Current Year 2018/19 £
1,124.79	Somerset County Council	1,192.16
181.81	Police and Crime Commissioner for Avon & Somerset	193.81
81.57	Devon & Somerset Fire & Rescue Authority	84.01
157.48	South Somerset District Council	162.48
1,545.65		1,632.46
84.73	Add Town & Parish Councils (average)	87.15
1,630.38	**Average Council Tax Levy at Band D**	**1,719.61**

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 2017/18		Current Year 2018/19
	National Non-Domestic Rates (NNDR)	
£117,714,447	Rateable value at 31st March	£118,472,937
	NNDR rate poundage	
47.9p	- National Multiplier	49.3p
46.6p	- Small Business Multiplier	48.0p

4. Debtors for Local Taxation

The debtors for Local Taxation represent the Council's share only and not for the whole of the collection fund. The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

Previous Year 2017/18 £'000	Period	Business Rates £'000	Council Tax £'000	Total 2018/19 £'000
234	Less than 2 months	56	56	112
122	2 to 4 months	99	98	197
58	4 to 6 months	108	107	215
381	6 to 12 months	251	248	499
1,054	More than 12 months	580	575	1,155
1,849	**Total**	**1,094**	**1,084**	**2,178**

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 organisation'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 organisation's service, delivery plans and capital programmes in monetary terms.

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

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

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

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

Capital 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 the Council intends to carry out over a specified time period.

Capital Receipts
are the proceeds from the sale of capital assets; they are available to repay debt on existing assets and/or to finance new capital expenditure within rules set by the Government.

Cash Equivalents
are short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

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

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

Central Government Grants
comprise three types:

- Grants paid by central government to aid local authority services in general, as opposed to specific grants, which may only be used for a specific purpose.
- Specific service grants – grants in aid of services in which central government have a more direct

involvement.
- Supplementary grants – grants in aid of both capital and revenue

CIPFA
is the Chartered Institute of Public Finance and Accountancy.

Code
is the Code of Practice of Local Authority Accounting that is generally based upon those accounting principles that are incorporated within approved accounting standards, modified to reflect the statutory framework in which local authorities operate. The Code states which accounts should be published as part of the Statement of Accounts, and the information to be included in each account.

Collection Funds
are separate funds recording the expenditure and income relating to council tax and non-domestic rates.

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

Community Assets
are those assets held in perpetuity and which have no determinable useful life and there are often restrictions regarding their sale. 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 the Council 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 the Council 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.

Fair Value through Profit and Loss (FVPL)
is an accounting method for financial assets, all gains and losses including changes in fair value are taken to the Comprehensive Income and Expenditure Statement. Assets are "marked to market" and shown at fair value on the balance sheet, but the impairment model does not apply.

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. The Council 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 the Council owes money to others. There are different types of liability: -

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

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 Council, 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 Mendip District Council 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 four years. It is based on the amount of extra Council Tax revenue raised for new build homes, conversions and long-term empty homes brought back into us. There is also an extra payment for providing affordable homes.

Non-Current Asset
is an item of worth which is measurable in monetary terms and provides benefit for more than the period of account – see also Capital Expenditure.

Non-Current Asset Held for Sale
is a non-current asset that becomes available for sale and it is probable that the carrying amount of that asset will be recovered through a sale transaction rather than though its continuing use.

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

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

Operating Leases
are all leases which are not finance leases.

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

Pooled Fund Adjustment Account
is the adjustment account introduced to manage the fair value process for Pooled Fund Financial Assets. It is permitted to have a negative value provided that the losses posted to it are not impairment losses.

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 the Council 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 the Council'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 the Council to another organization or person. This counts as capital expenditure but it does not create an asset that belongs to the Council. 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

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