South Somerset District Council

Statement of Accounts 2010/2011

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Introduction to South Somerset

Strategically located midway between the English and Bristol Channels, South Somerset district extends from Wincanton in the East to Chard in the West and covers 959 square kilometres. Its population of around 160,000 people is spread among 121 parishes - Yeovil is by far the largest town with 45,000 people living in or close to it.

South Somerset is a fascinating mixture of the rural and the urban. It is predominantly an agricultural area of diverse landscapes and pretty villages with over 40% of the population living in settlements of fewer than 2,500 people. It has more conservation areas than any other district in the country, and the second highest number of listed buildings. The district is renowned for its fine National Trust properties, classic gardens, historic market towns and museums – most notably the Fleet Air Arm Museum at Yeovilton and Haynes Motor Museum at Sparkford.

Perhaps surprisingly, some 30 per cent of the workforce is employed in manufacturing – nearly double the national average. Large companies located in the district include Agusta Westland, Honeywell and Screwfix. Trading estates and business parks, housing a wide range of light industries, are also spread across South Somerset. Although unemployment is low, there are pockets of rural and urban deprivation.

The Council employs 504 full time equivalent staff who work together with 60 elected councillors. It covers one of the biggest districts in the country, both in terms of geographical size and total population.

South Somerset District Council currently works in partnership with a large number of outside bodies such as Yeovil Vision, South Somerset Together, Somerset Waste Partnership, the Market Towns Investment Group, and Avon and Somerset Police.

From 2011/12, Goldenstones Pool and Leisure Centre will be run by the charitable leisure trust Leisure East Devon. The management transfer will save around £2.1million over the 10 year contract.

Explanatory Foreword

The Key Accounting Standards and Statements

We have followed the Chartered Institute of Public Finance & Accountancy's Code of Practice on Local Authority Accounting in Great Britain in compiling our statement of accounts for 2010/11. This has required changes in financial reporting from UK Generally Accepted Accounting Practice (UK GAAP) to International Financial Reporting Standards (IFRS).

The accounts fairly reflect South Somerset District Council's financial position for the financial year ended 31 March 2011. Our accounting policies are outlined in this document and have been fairly and consistently applied. We keep proper and up-to-date accounting records and take all reasonable steps to prevent and detect fraud and other irregularities.

The Assistant Director - Finance and Corporate Services is the statutory officer responsible for the proper administration of the Council's financial affairs. She is now required by law to confirm that the Council's system of internal controls can be relied on to produce an accurate statement of accounts. Her statement of assurance for 2010/11 appears on page 18 of this document.

The comparative figures for 2009/10 shown in the Core Financial Statements have been restated in order to comply with the new presentation requirement in the 2010 Code of Practice. There have been a few changes in accounting policy which are detailed further in the Statement of Accounting Policies and the individual notes to the Core Financial Statements (where applicable):

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

Movement in Reserves Statement (pg 33)
This statement summarises the movement in the year of the different reserves held by the authority.

Comprehensive Income and Expenditure Statement (pg 34)
This account consolidates all the gains and losses experienced by the authority during the financial year. It details information about total expenditure on the services that we provide. Income for each service is matched against the expenditure to show the net cost of services. The account also shows how much is received from council tax payers and from general government grants to help meet the cost of services.

Balance Sheet (pg 35)
The balance sheet provides a snapshot of our financial position as at 31 March 2011. It sets out what we own and what we owe at that point in time.

Cashflow Statement (pg 36)
This statement summarises the total cash movements during the year for both capital and revenue purposes.

Collection Fund (pg 82)
We are legally obliged to maintain this fund separately from all our other funds and accounts. It shows the transactions that have arisen because we are a billing authority, collecting non-domestic rates and council tax on behalf of the precepting authorities (the police, fire service, county council, town and parish councils) as well as for ourselves. The collection fund records the income we receive from local tax payers and the money that is distributed as a precept.

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

- Compare actual spending to budget;
- Explain where the money came from;
- Explain where the money went; and
- Review our treasury management performance;

The budget for the 2010/11 financial year was set in February 2010 and before the cuts to government grants were known although the authority had started preparing for an economic downturn and possible cuts that would come forward. SSDC has had a good track record in finding new ways of working and delivering budget savings year on year and over the last three years has delivered £3.7 million in efficiency savings. This has meant that front line delivery of services to the public has been minimised.

The impact of low interest rates has meant that the budget for expected income has reduced from £2.1 million in 2008/09 to £0.8 million for 2011/12. Managers have been preparing for harder times and the underspend compared to budget shown in these accounts reflects their preparation for further savings in coming years.
In 2011/12 government grant was cut by £1.4 million and a further £0.9 million is expected for next financial year. In addition we have seen an increase in demand for housing and council tax benefits and a reduction in areas such as requests for planning permission and land searches. We are managing these demand changes carefully and again the year-end position shows that we have been successful in managing the overall budget without having to draw on the council's reserves and balances.

Comparing actual spending to budget

The budget for the year was supported by an increase in Council Tax of 2%. This gave a Band D Council tax of £150.74.

Our total net expenditure budget for the year was set at £20.3m.This represents the net cost of services taking into account:
- £46.9m of specific government grants;
- £13.5m income from fees and charges for services provided; and
- £1.3m of income from our investments.

It also included the following:
- Efficiency savings of £1.4m;

The total net expenditure budget for the year was financed by:
- £11.3m of business rates and general government grants (Formula Grant); and
- £9.0m of council tax income.

Our final revenue account for the year showed an under spend compared to the original and revised budget for the year. At the year end SSDC actually under spent on its original budget by £356k and its revised budget by £762k.

A full list of the differences between actual and planned spend for the year, by service, is provided in the next section of this foreword.

Explaining the big differences

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

- Engineering and Property Services were underspent by £219k. Savings came from reduced land drainage costs due to a low number of flooding incidents, and car parking income exceeding budget.

- Development Control overspent by £177k. Although staff savings were made and the fee income was 19% up on 2009/10, planning did not meet its 2010/11 income budget.

- Strategic Management underspent by £167k due to a vacant post and savings in the corporate training budget.

Reporting against budget

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

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

The table below sets out the overall picture of the 'above the line'revenue budgets that will form part of the annual Statement of Accounts. It compares the position to the previous financial year and the original and revised budget for 2010/11.

Previous Year Spend 2009/10 £'000	Service	Original Budget 2010/11 £'000	Outturn Budget 2010/11 £'000	Actual Spend 2010/11 £'000	Variation £'000	
718	Strategic Management	746	666	499	(167)	F
(597)	Financial Services	(95)	343	409	66	A
990	ICT Services	986	1,033	1,022	(11)	F
197	Procurement & Risk Management	240	265	203	(62)	F
(246)	Revenue & Benefits	(99)	(91)	(39)	52	A
1,026	Democratic Services	1,103	1,096	1,069	(27)	F
338	Legal Services	266	277	330	53	A
96	Fraud & Data Management	101	101	96	(5)	F
389	Human Resources	412	415	327	(88)	F
404	Place & Performance	567	580	460	(120)	F
576	Economic Development	526	523	488	(35)	F
855	Development Control	533	470	647	177	A
2,471	Spatial Policy	2,649	2,623	2,724	101	A
89	Community AD & Cohesion	131	139	98	(41)	F
332	Third Sector & Partnerships	325	335	314	(21)	F
502	Area East	416	480	390	(90)	F
321	Area North	324	373	285	(88)	F
362	Area South	393	418	392	(26)	F
482	Area West	447	457	393	(64)	F
55	Local Strategic Partnership	48	94	54	(40)	F
565	Operations & Customer Focus	590	575	548	(27)	F
1,093	Environmental Health	1,192	1,104	1,031	(73)	F
147	Civil Contingencies	122	197	190	(7)	F
328	Engineering & Property	608	588	369	(219)	F
(25)	Building Control	(110)	(111)	11	122	A
1,851	Streetscene	1,832	1,737	1,694	(43)	F
3,588	Waste & Recycling	3,593	3,534	3,479	(55)	F
(21)	Licensing	10	10	(32)	(42)	F
7	Arts & Entertainment	341	343	400	57	A
149	Sport & Leisure Facilities	292	292	351	59	A
788	Community Health & Leisure	786	790	780	(10)	F
754	Housing & Welfare	769	794	731	(63)	F
370	Countryside	266	266	241	(25)	F
18,954	**TOTAL SPEND**	**20,310**	**20,716**	**19,954**	**(762)**	**F**

Reconciliation to the Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement gives detailed information about the total expenditure on the services we provide. It also shows the council tax and government grants we received to help pay for those services. The net cost of services figure is reconciled to the outturn spend position detailed in the previous table as follows:

2009/10 £'000		2010/11 £'000
18,954	Net expenditure per outturn report	19,954
	Add Back:	
2,941	Movement on the General Fund Balance	(7,059)
3,319	Items reported beneath the Net Cost of Services on the Comprehensive Income and Expenditure	3,123
25,214	**Net Cost of Services per the Comprehensive Income & Expenditure Statement**	**16,018**

The following two tables and charts provide an analysis of our gross income and expenditure. The figures used are reconciled to the Comprehensive Income and Expenditure Statement as follows:

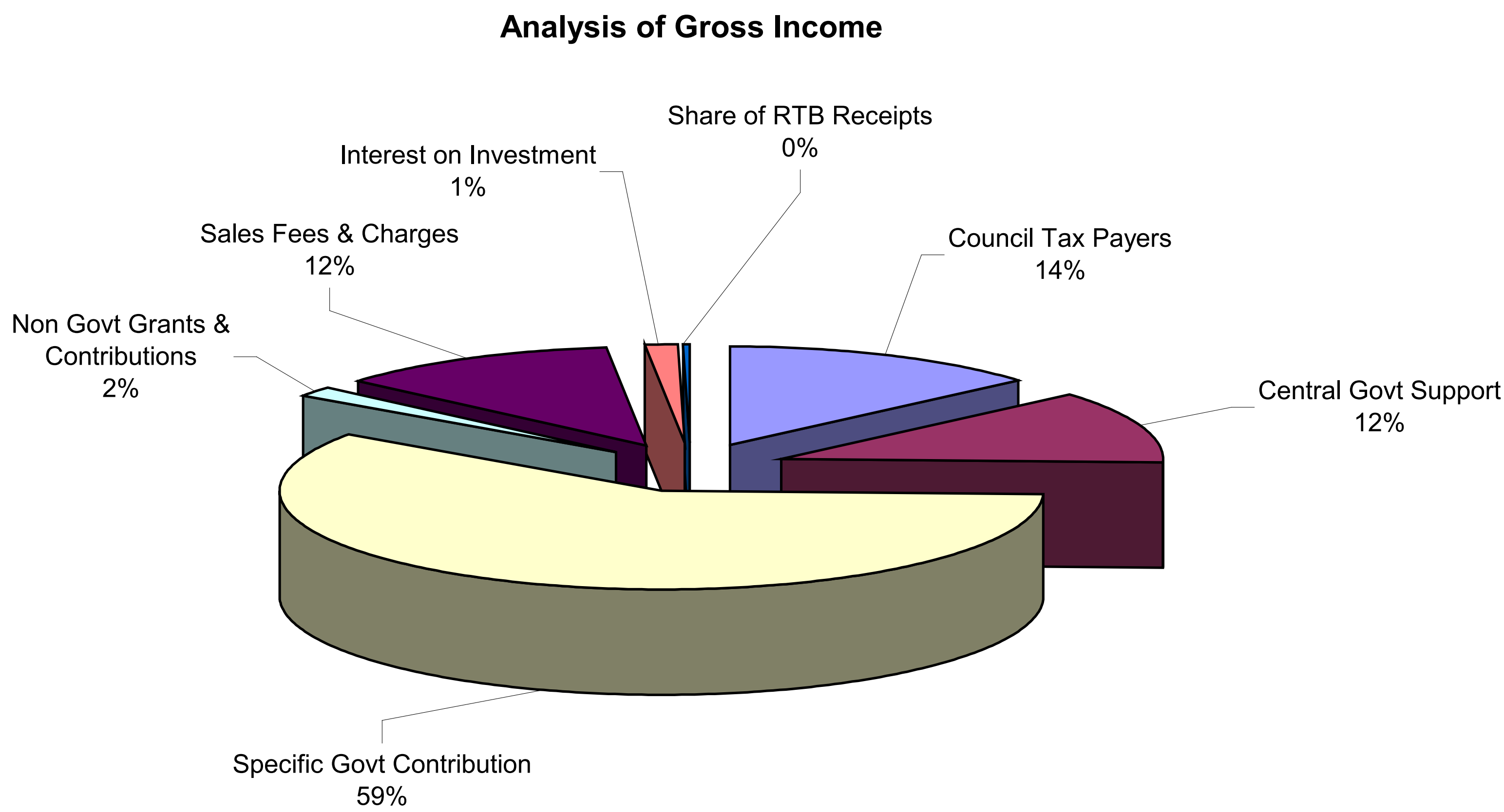
2009/10 £'000		2010/11 £'000
(88,937)	Gross Income - "Where the money came from"	(94,095)
93,412	Gross Expenditure - "Where the money went"	86,835
4,475	**(Surplus)/Deficit for the year per the Comprehensive Income and Expenditure Statement**	**(7,260)**

Where the money came from

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

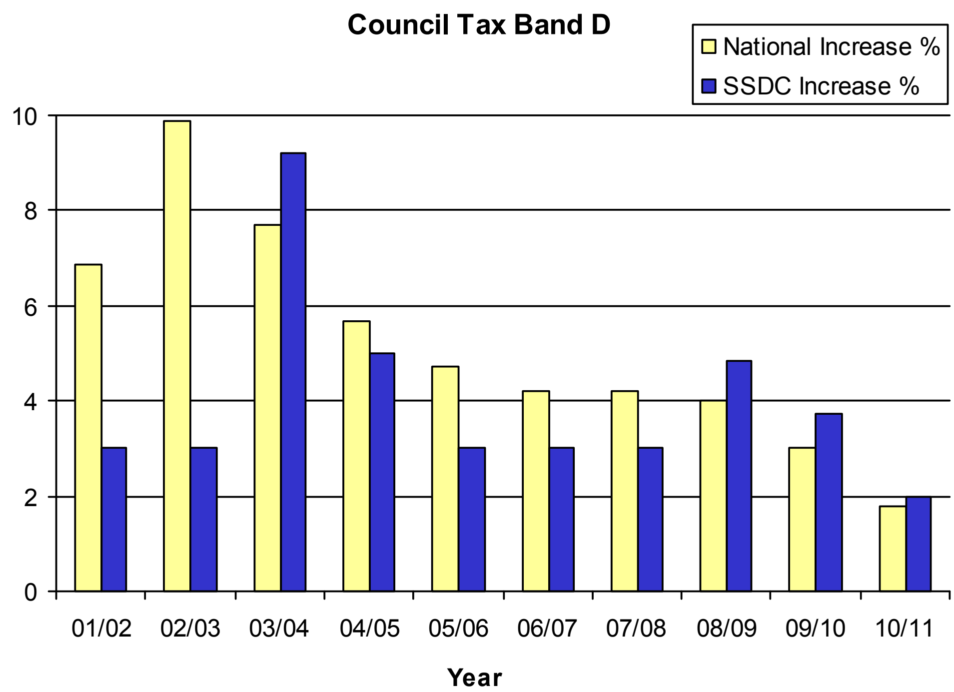
2009/10 £'000	Sources of Income	2010/11 £'000
12,305	Council Tax Payers (Including Parish Precept of £3.634m)	12,712
11,440	Central Government Support	11,273
49,385	Specific Government Contribution	55,618
2,173	Non Government Grants & Contributions	1,763
10,106	Sales, Fees & Charges	11,087
2,225	Interest on Investment	1,319
374	Share of Right to Buy Receipts from former Council Dwellings	323
929	Easements	0
0	Disposal of Fixed Assets	0
88,937	**Gross Income**	**94,095**

Analysis of Gross Income



The Government provides our main source of income in the form of general and specific grants.

The following chart shows the Council Tax Band D increase (excluding Parish Precepts) for the last nine years:



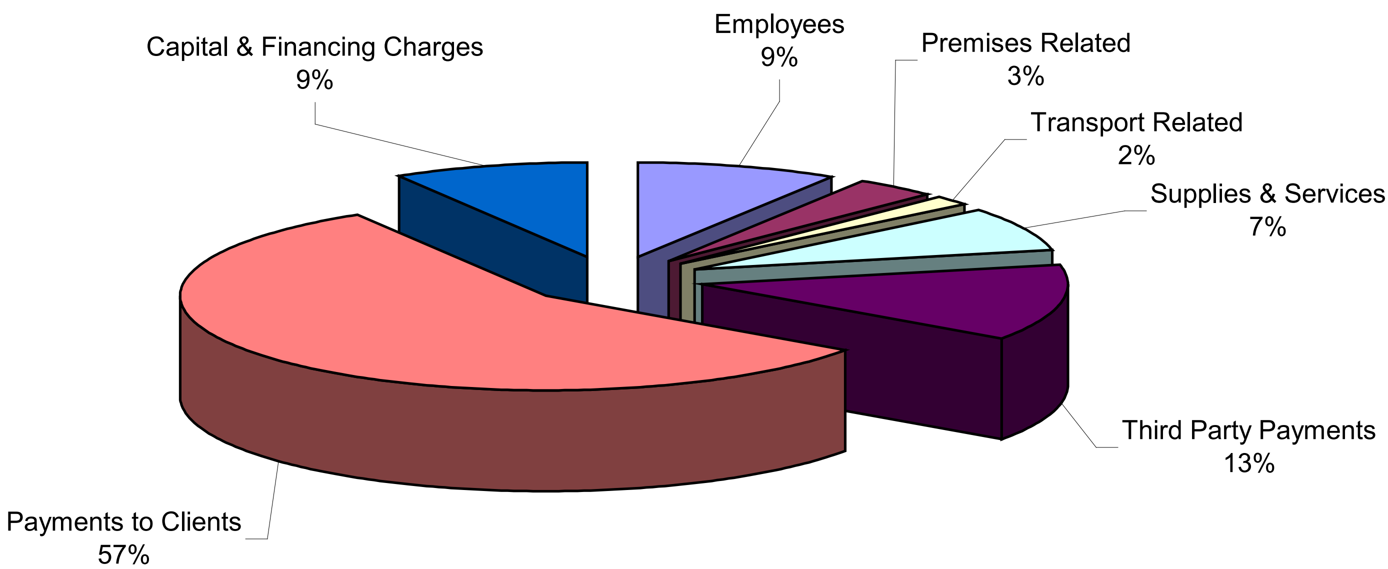
Where the money went

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

2009/10 £'000	Categories of Expenditure	2010/11 £'000
19,394	Employees	7,784
3,183	Premises Related	3,003
1,472	Transport Related	1,439
5,776	Supplies and Services	6,502
7,387	Third Party Payments	7,762
45,936	Payments to Benefits Claimants	49,135
6,807	Capital & Financing Charges	7,576
3,457	Town & Parish Precepts	3,634
93,412	**Gross Expenditure**	**86,835**

In the 10/11 budget, the coalition government announced that the pension increase order applied to public service pension schemes' pensions in payment will be linked to the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). This has affected the 2010/11 charge to Employee costs resulting in a reduction of £10.050 million. Without this change in the use of indicies the Employee costs would have been £17.834 million.

Analysis of Gross Expenditure



The Council's five Corporate Aims from the Corporate Plan and the net spend on some of their relevant projects are as follows:

Corporate Aim 1 – Increase economic vitality and prosperity

- £2.25m on concessionary fares & transport projects
- £598k on promoting economic development
- £255k on promoting tourism

Corporate Aim 2 –Enhance the environment, address and adapt to climate change

- £3.66m on waste management & recycling
- £1.78m on building control, development control and strategic planning
- £349k on countryside management

Corporate Aim 3 – Improve the housing, health and well-being of our citizens

- £2.31m on promoting leisure activities
- £1.89m on housing strategy and advice
- £1.58m on environmental health
- £1.51m on homelessness

Corporate Aim 4 – Ensure safe, sustainable and cohesive communities

- £1.31m on street cleansing
- £1.25m on area development activities
- £1.09m on horticulture, grounds maintenance and environmental enforcement
- £694k on grants, including Community Voluntary Service and Citizens Advice Bureau grants and projects

Corporate Aim 5 – Deliver well managed, cost effective service valued by our customers

- £1.35m on basic running costs associated with being a Council
- £1.01m on collecting Council Tax and Business Rates

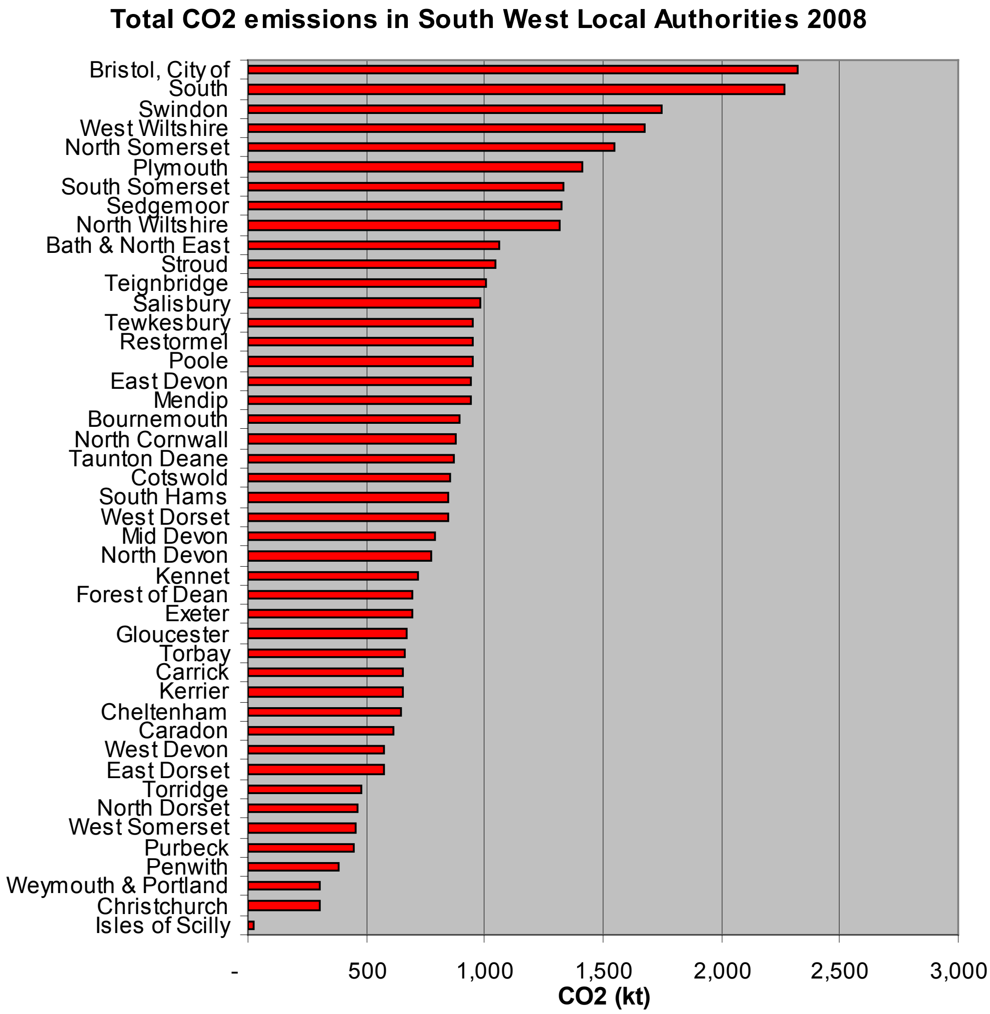
Carbon Management (not subject to audit)

Within the Corporate Plan it is the Council's objective to reduce its emissions by 12% by 2011/12

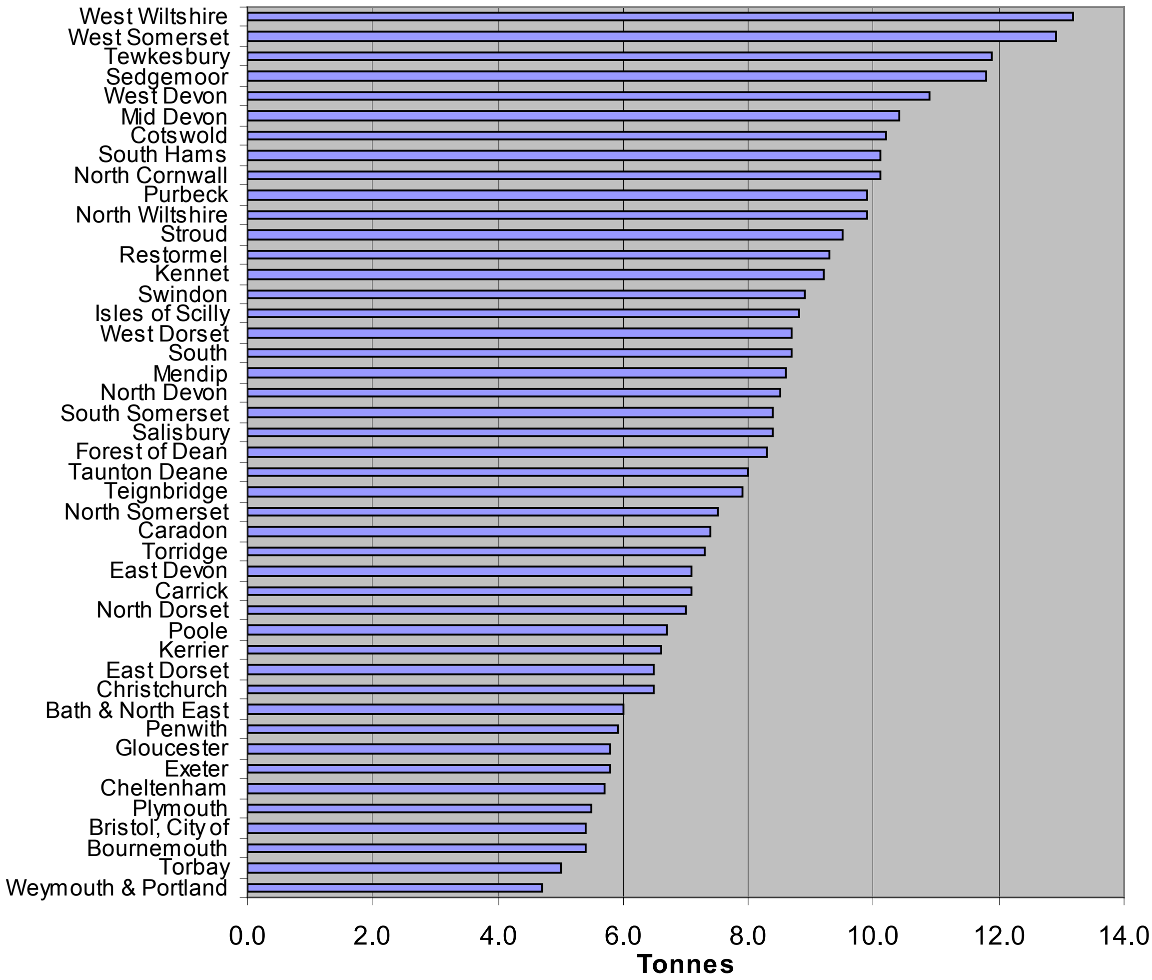
The Council's baseline for carbon emissions was calculated at 5,718 tonnes for 2007. This can be split between 2,553 tonnes for buildings and 3,165 for transport (Including commuting).

In 2010/11 the following carbon projects were completed or instigated.

Project	Annual Savings Carbon (tonnes)	Contribution to Carbon Savings %
Fiesta Eco Nectic Van purchased Nov 2010	2.7	0.05
Voltage optimisation at Brympton Way	1.1	0.02
2 Carbon efficient vehicles delivery due by July 2011	2.4	0.04
Installation of Photovoltaics on Council Chamber	9	0.16
Total	**15.2**	**0.27**



Per Capita Total CO2 (tonnes) in the South West 2008



Source: Department of Energy and Climate Change, 2010.

Capital Account Summary

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

- buy or sell land or property;
- build new property;
- carry out major repairs or improvements to our properties;
- provide grants for the above type of activity.

This section of the foreword will:

- compare actual spending to budget;
- explain the big differences;
- explain where the money went;
- and explain where the money came from.

Comparing actual spending to budget

Our original budget plan for the year was to spend £11.054m on capital projects. We revised our capital budget for the year to take account of the position at the end of the 2009/10 financial year and progress on the ground with our capital projects. The revised budget total was £9.255m. The difference of £1.799 million between the original and revised budget is mostly due to slippage which we have programmed to spend in 2011/12. Our gross capital spend for the year was £5.814m.

Explaining the big differences

The amount spent was £3.441m less than the revised budget, with the main differences being:

- £574k underspent on Affordable Housing as the Tatworth Scheme now benefits from Full Homes and Communities agency funding, and a decision is awaited for the Sparkford Scheme.
- £378k underspent on Lufton 2000 Business Park due to delays in infrastructure being put into place.
- £365k underspent on the Reckleford Gyratory which is now almost complete, pending final agreement with the contractors.
- £205k underspent on Birchfield Sewer Pollution Control Works with the major works complete and some minor works due in 2011/12.
- £164k underspent by the area committees, this was mainly due to Highway, Legal and Planning Issues and delays in match funding.
- £145k underspent on IT hardware replacement programme pending decisions on joint working with East Devon District Council and the move from Novell to Microsoft.
- £133k underspent on the Gypsy and Traveller Acquisition Fund pending the identification of suitable sites.

Where the money went:

	Original Budget 2010/11 £'000	Outturn Budget 2010/11 £'000	Actual Spend 2010/11 £'000	Variation £'000
Finance & Corporate Services	647	802	419	(383)
Place & Performance	535	532	153	(379)
Economy	1,459	1,667	664	(1,003)
Communities	2,125	2,183	1,437	(746)
Environment	2,966	2,077	1,477	(600)
Health & Well-being	3,322	1,994	1,664	(330)
Total Spent	**11,054**	**9,255**	**5,814**	**(3,441)**

Where the money came from:

Financing of Capital Expenditure	2010/11 £'000
Capital receipts	2,790
Capital grants from non-government funding partners	1,034
Capital grants from central government	1,990
Gross capital spend	**5,814**

As the table shows, we continued with our good record of levering in other people's money to help pay for our capital projects this year. We only contributed £2.790m towards the £5.814m we spent last year. This means, for every £1 of our capital resources we spent, we received £1.08 from external organisations.

Our capital receipts are very important to us. Income from our investments is required to support the revenue account each year. We began 2010/11 with £33.94m of capital receipts that could be used to fund capital expenditure and ended the year with £31.57m.

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

2009/10 Total £'000	Movement in Year	2010/11 Total £'000
34,146	Balance at beginning of year	33,939
	Add proceeds from:	
374	• Right to buy receipts (from Yarlington Homes)	323
3,647	• Other assets	26
113	• Mortgages (After pooling)	76
	Less capital receipts applied:	
(4,341)	• To finance capital expenditure	(2,790)
33,939	**Balance at end of year**	**31,574**

(Brackets represent a reduction in the reserve)

Where the money went:

As with our revenue spending our capital spending is targeted to our corporate plan, after the mandatory schemes that we are required to provide such as disabled access improvements. To help bring the figures to life, a summary of our bigger projects by corporate priority follows:

Corporate Aim 1 – Increase economic vitality and prosperity

- £352k on Eco-towns development at Foundry House
- £323k on other regeneration projects;
- £57k on Market Towns Vision projects.

Corporate Aim 2 – Enhance the environment, address and adapt to climate change

- £10k on carbon efficient vehicles.

Corporate Aim 3 – Improve the health and well-being of our citizens

- £1,237k on new pitches and refurbishments at gypsy sites;
- £864k on Disabled Facility Grants;
- £568k on Affordable housing and homelessness projects;
- £373k on replacing play equipment and play grants;
- £182k on other housing grants;
- £108k on environmental improvements;
- £54k on sports facilities.

Corporate Aim 4 – Ensure safe, sustainable and cohesive communities

- £581k on Addressing Health Inequalities in Yeovil;
- £146k on grants to improve Village Halls.
- £135k on grants administered by the Area Committees;
- £82k on Birchfield Sewer Pollution Control Works.

Corporate Aim 5 – Deliver well managed, cost effective services valued by our customers

- £485k on asset improvements;
- £225k on improved information systems.

Reserves and Balances Summary

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

The General Fund Balance of £3.91m, represents the accumulated revenue surpluses and should provide a financial cushion should anything unexpected happen that leads to unplanned expenditure. The actual value of unallocated balances we held at the 31 March 2011 was £3.11m. The remaining £0.80m has been allocated by the District Executive for specific purposes such as economic development and area committees.

An exercise is undertaken to establish the areas of significant risk within the revenue budget and the likelihood of the risk occurring. This assessment allows us to calculate how much money the Council should hold in reserve, for 2010/11 the figure was £2.19m.

In addition we maintain a number of earmarked reserves. These are special reserves we keep for specific types of expenditure in the future. Examples include election costs, leisure centre repairs, grant and leisure development. We added £1.24m to these reserves during the course of the year, but also spent £0.74m on specific projects during the year. As at 31 March 2011 we have £4.48m of these earmarked reserves.

Balance Sheet Summary

At 31 March 2011 the authority's net assets amounted to £48.03m (£23.72m at 31 March 2010).

The authority's net assets are significantly reduced by the inclusion of the pension scheme liability of £44.77m (compared to £65.73m at 31 March 2010). The present value of the pension scheme liabilities have fallen to £108.25m (from £124.36m at 31 March 2010) and the fair value of the scheme assets have increased to £63.48m (£58.63m at 31 March 2010).

In practice the amount of net worth that can be used is £40.75m (Usable Capital Receipts £31.57m, Capital Grants Unapplied £0.82m, Earmarked Reserves £4.48m and Balances £3.88m). The remaining £9.78m is held in technical reserves which are not available for use.

Progress in the year

This explanatory foreword attempts to bring the figures in our statement of accounts alive by cutting through the accounting jargon to show how we converted the cash into services. The following describes some of the achievements for the year in more detail.

Highlights included:

Delivered around 400 new affordable homes despite the recession.

Kept over 93% of streets at an excellent standard of cleanliness whilst improving the way we deal with flytipping.

Introduced Sort It Plus - allowing people to recycle plastic bottles and cardboard through their existing kerbside recycling collections.

Won Gold for Yeovil’s Britain in Bloom floral displays, in partnership with Yeovil Town Council.

Won Green Flag Awards for all our country parks with the help of volunteers who donated 11,000 hours of their time last year.

Investigated and responded to over 4,500 noise complaints, pest control calls and food safety checks.

Attracted in excess of £1 million to invest in health inequality projects.

Hosted 19 start-up businesses at the Yeovil Innovation Centre, helping them to develop and move out into the local area.

Provided flood defence advice to hundreds of householders and held four severe weather forums.

Recovered thousands of pounds of fraudulently claimed benefits through our Investigations Team.

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 Assistant Director – Finance and Corporate Services;

- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;

- approve the Statement of Accounts.

Assistant Director – Finance and Corporate Services' Responsibilities

The Assistant Director – Finance and Corporate Services 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 Assistant Director – Finance and Corporate Services 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 Assistant Director – Finance and Corporate Services has also:

- kept proper accounting records which were up to date;

- taken reasonable steps for the preventing and detection of fraud and other irregularities.

I confirm that this Statement of Accounts presents a true and fair view of the financial position of South Somerset District Council at the 31 March 2011 and its income and expenditure for the year ended 31 March 2011.

Signed: 

Donna Parham, Assistant Director – Finance and Corporate Services

Date: 30th June 2011

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003 which those regulations require to prepare in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

On transition to the IFRS based Code from UK Generally Accepted Accounting Practice (UK GAAP), the Statement of Accounts will adopt IFRS 1 - First time Adoption of International Standards.

Under IFRS 1, any accounting policy changes arising from the adoption of the IFRS based Code shall be accounted for retrospectively unless the Code requires an alternative treatment. Disclosure is required where there are material differences between the amounts presented under Statement of Recommended Practice 2009 and the IFRS based Code. Therefore, the following statements require restatement and disclosure:

- Balance Sheet as at 1st April 2009
- Balance Sheet as at 31st March 2010
- Comprehensive Income and Expenditure Statement 2009/10

The accounting convention adopted is principally historical cost, modified by the evaluation 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:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.

- 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 stocks on the balance sheet.

- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the balance sheet.

- Interest payable on borrowings and receivable on investments is accounted for 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 income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. The largest estimate of this nature is the amount accrued in respect of housing benefit subsidy. This calculation is based upon the pre-audited return. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge is made to revenue for the income that might not be collected.

- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

3. Receipts and Payments in Advance

Receipts in advance represent income received in the current year in respect of fees and charges (including our proportion of Council Tax) for the forthcoming years. They are included as a liability (within Creditors) on the Balance Sheet.

Payments in Advance represent amounts paid in the current year in respect of goods and services for the forthcoming years. They are included as an asset (within Debtors) on the Balance Sheet.

4. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more that 24 hours.

Cash equivalents are short-term highly liquid investments that are readily convertible within 24 hours to known amounts of cash and which are subject to an insignificant risk of changes in value. SSDC will include deposits in Money Market Funds and Business Reserves in Cash Equivalents.

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

5. 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 polices 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. When a change is made, it is applied retrospectively (unless stated otherwise) by adjusting the opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

6. Exceptional Items

When items of income and expense are material, their nature and amount are disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to the understanding of the Authority's financial performance.

7. 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 fixed assets during the year:

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

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution to 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.

8. 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 benefits such as wages and salaries, paid annual leave and paid sick leave and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for service 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 to 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 and 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 and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. Where termination benefits involve the enhancement of pension, 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 Pensions 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 is accounted for as a defined benefits scheme:

The liabilities of the Somerset County Council pension scheme attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to the retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate based on the yield on the iBoxx AA, rated over the 15 year Corporate Bond Index.

- The assets of the Somerset County Council pension fund attributable to the Council are included in the balance sheet at their fair value on a current bid price (estimate bid values have been used on pre-2008/09 valuations based on mid market values where current bid prices are not available).

- The change in net pension liability is analysed into seven components:
  - Current service cost – the increase in liabilities as a result of years of service earned this year - allocated to the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - Past service costs – the increase in liabilities arising from current year decisions 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 as part of Non Distributed Costs.
  - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
  - Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
  - Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees is debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - Actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made in the last actuarial valuation or because the actuaries have updated their assumptions are debited or credited to the Statement of Total Recognised Gains and Losses.
  - 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 the pensioners in the year, not the amount calculated according the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measure the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

9. Events after the Balance Sheet Date

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

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

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

10. Financial Instruments

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

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

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

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

Financial Assets
Financial assets are classified into two types:

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

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

Loans and Receivables
Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. This means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has made a number of car loans, bicycle loans and loans for learning to members of staff at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the members of staff, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year. The reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to, or from, the Financial Instruments Adjustment Account in the Movement in Reserve Statement.

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

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

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

Assets are maintained in the Balance Sheet at fair value. All assets currently held by the Council are instruments with quoted market prices and the value is based on market price.

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

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

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

11. Government Grants and Contributions

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

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

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

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

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

12. Intangible Fixed Assets

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

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and loss 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 and Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

14. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amounts at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

15. 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.

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 the acquisition of the interest in the property, plant and equipment – applied to write down the lease liability
- 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 revenue contributions 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.

The Authority as Lessor

Finance Lease
Where the Authority grants a finance lease over a property of 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 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 the acquisition of the interest in the property– applied to write down the lease debtor (together with premiums received),
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

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

16. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice (BVACOP) 2010/11. The total absorption costing principal is used where the full cost of overheads and support services are shared between users in proportion to the benefits received with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses on Assets Held for Sale

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

17. Property, Plant and Equipment

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

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

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

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

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

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

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

Assets included in the balance sheet at fair value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Account 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 Property, Plant and Equipment Assets with a determinable finite life, 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 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
Sports and Leisure Centres	40
Public Conveniences	50
Vehicles	10
Cremators	10
Office Buildings	60

Where an asset includes a number of components with significantly different asset lives, which 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 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 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 are credited to 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 in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

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

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

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

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

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

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

20. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back to the General Fund Balance in the Movement in Reserves Statement 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, retirement and employee benefits and do not represent usable resources for the Authority.

21. Revenue Expenditure Funded from Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of non-current assets has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so there is no impact on the level of council tax.

22. VAT

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

23. Related Party Transactions

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

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

24. The Collection Fund

Billing authorities in England are required by statute to establish and maintain a separate fund for the collection and distribution of amounts due in respect of council tax and national non-domestic rates (NNDR).

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

Further details on the Collection Fund use can be found on page 81.

25. Accounting for Council Tax

The collection of Council Tax income is in substance an agency arrangement, the cash collected by the Council from council tax debtors belongs proportionately to the Council and the major preceptors. There will be therefore a debtor/creditor position between the Council and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will not be its share of the cash collected from council taxpayers.

The Council Tax income included in the Taxation and Non Specific Grant Income line in the Comprehensive Income and Expenditure Statement shall be the accrued income for the year. This is calculated by taking the demand on the Collection Fund plus the authority's share of the carry forward surplus/deficit on the Collection Fund as at the 31st March 2011. This amount is then adjusted for the authority's share of the surplus/deficit of 31st March 2010 that has not been distributed or recovered in the current year.

The difference between the income included in the Taxation and Non Specific Grant Income line in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the Collection Fund shall be taken to the Collection Fund Adjustment Account and included as a reconciling item in the General Fund in the Movement in Reserves Statement.

26. Accounting for National Non-Domestic Rates

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

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

Movement in Reserves Statement

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

	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
	£’000	£’000	£’000	£’000	**£’000**	£’000	**£’000**
Balance at 1 April 2009	**(2,715)**	**(4,514)**	**(34,146)**	0	**(41,375)**	**(15,001)**	**(56,376)**
Movement in reserves during 2009/10							
Surplus /Deficit on the provision of services	4,476	0	0	0	**4,476**	0	**4,476**
Other Comprehensive Income and Expenditure	0	0	0	0	**0**	25,681	**25,681**
Total Comprehensive Income and Expenditure	**4,476**	**0**	**0**	**0**	**4,476**	**25,681**	**30,157**
Adjustments between accounting basis & funding basis under regulations (note 8)	(4,834)	0	207	0	**(4,627)**	4,627	**0**
Net Increase/Decrease before transfers to Earmarked Reserves	**(358)**	**0**	**207**	**0**	**(151)**	**30,308**	**30,157**
Transfers to/from Earmarked Reserves (note 31)	(607)	607	0	0	**0**	0	**0**
Increase/Decrease in 2009/10	**(965)**	**607**	**207**	**0**	**(151)**	**30,308**	**30,157**
Balance at 31 March 2010	**(3,680)**	**(3,907)**	**(33,939)**	**0**	**(41,526)**	**15,307**	**(26,219)**
Movement in reserves during 2010/11							
Surplus /Deficit on the provision of services	(7,365)	0	0	0	**(7,365)**	0	**(7,365)**
Other Comprehensive Income and Expenditure	0	0	0	0	**0**	(17,055)	**(17,055)**
Total Comprehensive Income and Expenditure	**(7,365)**	**0**	**0**	**0**	**(7,365)**	**(17,055)**	**(24,420)**
Adjustments between accounting basis & funding basis under regulations (note 8)	6,488	0	2,365	(824)	**8,029**	(8,029)	**0**
Net Increase/Decrease before transfers to Earmarked Reserves	**(877)**	**0**	**2,365**	**(824)**	**664**	**(25,084)**	**(24,420)**
Transfers to/from Earmarked Reserves (note 31)	676	(676)	0	0	**0**	0	**0**
Increase/Decrease in 2010/11	**(201)**	**(676)**	**2,365**	**(824)**	**664**	**(25,084)**	**(24,420)**
Balance at 31 March 2011	**(3,881)**	**(4,583)**	**(31,574)**	**(824)**	**(40,862)**	**(9,777)**	**(50,639)**

Comprehensive Income and Expenditure Statement

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

(Brackets represent income)

Gross Expenditure Year Ended 31 March 2010 £'000	Gross Income Year Ended 31 March 2010 £'000	Net Cost of Services Year Ended 31 March 2010 £'000	Service	Note	Gross Expenditure Year Ended 31 March 2011 £'000	Gross Income Year Ended 31 March 2011 £'000	Net Cost of Services Year Ended 31 March 2011 £'000
12,078	(9,890)	2,188	Central Services		12,685	(11,591)	1,094
24,961	(8,942)	16,019	Cultural, Environmental and Planning Services		26,549	(8,351)	18,198
3,969	(3,021)	948	Highways and Transport		4,222	(2,629)	1,593
41,364	(38,719)	2,645	Housing Services		43,704	(41,335)	2,369
2,530	(70)	2,460	Corporate and Democratic Core		2,583	(134)	2,449
964	(11)	953	Non Distributed Costs		229	0	229
0	0	0	Exceptional Items of Income and Expenditure	6	0	(10,019)	(10,019)
85,866	**(60,653)**	**25,213**	**Net Cost of Services**		**89,972**	**(74,059)**	**15,913**
3,578	(1,310)	2,268	Other operating expenditure	9	3,811	(323)	3,488
394	0	394	Net Loss/(Gain) on Disposal of Fixed Assets	11	6	0	6
2,585	(2,225)	360	Financing and Investment Income and Expenditure	12	2,346	(1,319)	1,027
0	(23,759)	(23,759)	Taxation and Non-Specific Grant Income	13	0	(27,799)	(27,799)
92,423	**(87,947)**	**4,476**	**(Surplus)/Deficit on Provision of Services**		**96,135**	**(103,500)**	**(7,365)**
		(1,431)	(Surplus)/Deficit on revaluation of Property, Plant & Equipment				(3,818)
		208	(Surplus)/Deficit on revaluation of Available for Sale Financial Assets				478
		26,904	Actuarial (Gains)/Losses on Pension Assets/Liabilities				(13,715)
		25,681	**Other Comprehensive Income and Expenditure**				**(17,055)**
		30,157	**Total Comprehensive Income and Expenditure**				**(24,420)**

Balance Sheet (Brackets represent liabilities)

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are 'Usable Reserves' ie. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example revaluation reserve), where amount 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'.

(Brackets represent liabilities)

1 April 2009	31 March 2010			As at 31 March 2011	
£'000	**£'000**			**£'000**	**£'000**
48,766	50,961	Property, Plant & Equipment	14		55,213
0	0	Investment Property	21		0
80	65	Intangible Assets	20		198
335	26	Assets Held for Sale	22		200
18,082	15,099	Long Term Investments	23		10,394
3,213	3,112	Long Term Debtors	24		540
70,476	**69,263**	**TOTAL LONG TERM ASSETS**			**66,545**
17,149	21,090	Short Term Investments	23	24,341	
147	134	Inventories	25	152	
7,333	6,856	Short Term Debtors	26	8,680	
5,550	2,970	Cash & Cash Equivalents	27	4,009	
30,179	**31,050**	**CURRENT ASSETS**			**37,182**
0	(925)	Bank Overdraft	27	(1,479)	
(7,298)	(6,913)	Short Term Creditors	28	(4,999)	
(7,298)	**(7,838)**	**CURRENT LIABILITIES**			**(6,478)**
(15)	(20)	Provisions	29		(183)
(275)	(348)	Developers Contributions Deferred	30		(1,491)
(348)	(161)	Long Term Liabilities - Finance Lease	47		(166)
(36,343)	(65,726)	Liability related to defined benefit pension schemes	50		(44,770)
(36,981)	**(66,255)**	**LONG TERM LIABILITIES**			**(46,610)**
56,376	**26,220**	**NET ASSETS**			**50,639**
(41,375)	(41,527)	Usable Reserves	31		**(40,862)**
(15,001)	15,307	Unusable Reserves	32		**(9,779)**
(56,376)	**(26,220)**	**TOTAL RESERVES**			**(50,639)**

I confirm these accounts were approved by the Audit Committee at the meeting held on 22 September 2011.

Signed: Date:

Cllr Derek Yeomans, Chair of Audit Committee

Cash Flow Statement (Brackets on this page represent income)

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

Year Ended 31 March 2010		Year Ended 31 March 2011
£'000		**£'000**
4,476	Net (surplus) or deficit on the provision of services	**7,260**
(1,839)	Adjustments to net surplus or deficit on the provision of services for non cash movements	**(576)**
3,666	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 34)	**3,949**
6,303	**Net cash flows from operating activities**	**10,633**
1,331	Investing Activities (note 35)	**(1,141)**
(11,140)	Financing Activities (note 36)	**(9,005)**
(3,506)	**Net increase or decrease in cash and cash equivalents**	**487**
5,550	Cash and Cash Equivalents (including bank overdraft) at 1 April	**2,044**
2,044	**Cash and Cash Equivalents at 31 March (note 27)**	**2,531**

Notes to the Core Financial Statements

1. TRANSITION TO IFRS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts present in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

Short-term accumulating compensated absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holiday as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render service that increases their entitlement to future compensated absences. As a result, the Authority is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet		
	2009/10 Statements £'000	Adjustments Made £'000
Debtor Provisions	0	129
Creditor Provisions	0	(375)
Accumulated Absences Account	0	246

31 March 2010 Balance Sheet		
	2009/10 Statements £'000	Adjustments Made £'000
Debtor Provisions	0	104
Creditor Provisions	0	(434)
Accumulated Absences Account	0	330

2009/10 Comprehensive Income and Expenditure Statement		
Cost of Services (Net):		
	2009/10 Statements £'000	Adjustments Made £'000
Central Services to the Public	2,069	(2)
Cultural, Environmental, Regulatory and Planning Services	18,158	65

Cost of Services (Net) continued:		
	2009/10 Statements £'000	Adjustments Made £'000
Highways	941	7
Other Housing Services	2,964	12
Corporate and Democratic Core	2,471	(3)
Non Distributed Costs	953	0
Total Adjustments made due to Short-Term Accumulated Absences		79

Leases

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or as a finance lease where it was previously treated as an operating lease.

The Government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the Authority is the Lessee) will be unchanged. Where the Authority is the Lessor, the regulations allow the Authority to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

The Authority has some vehicle leases and printer leases where the accounting treatment has changed following the introduction of the Code. These leases were previously classified as operating leases, but under the Code, have been classified as finance leases.

As a consequence of reclassifying these leases, the financial statements have been amended as follows:
The Authority has recognised assets (vehicles and printers) and a finance lease liability.

The operating leases charge within the services of the Comprehensive Income and Expenditure Statement have been reduced by the amounts that relate to these lease payments.

A depreciation charge has also been included within the services of the Comprehensive Income and Expenditure Statement.

The depreciation charge has been transferred from the General Fund to the Capital Adjustment Account. This transfer has been reflected in the Balance Sheets as at 1 April 2009 and 31 March 2010, and the adjustments that relate to 2009/10 are reported in the Movement in Reserves Statement for the year.

The interest element of the lease payment is charged to the Financing and Investment Income and Expenditure line in the Surplus or Deficit on the Provision of Services.

This has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet:

	2009/10 Statements £'000	Adjustments Made £'000
Property, Plant and Equipment (leased assets)	80	415
Other Long-Term Liabilities (finance lease liability)	(80)	(449)
Capital Adjustment Account	(32,890)	33

31 March 2010 Balance Sheet:

	2009/10 Statements £'000	Adjustments Made £'000
Property, Plant and Equipment (leased assets)	44	278
Other Long-Term Liabilities (finance lease liability)	(44)	(304)
Capital Adjustment Account	(31,802)	26

2009/10 Comprehensive income and Expenditure Statement:

	2009/10 Statements £'000	Adjustments Made £'000
Culture, Environmental, Regulatory and Planning Services	18,158	(34)
Other Housing Services	2,964	(1)
Corporate and Democratic Core	2,471	(1)
Financing and Investment Income and Expenditure	331	28
Total adjustments made due to reclassifying leases		(8)

The net change to the Net Cost of Services consists of the removal of the operating charge for the lease (a reduction of £209k) and the inclusion of the depreciation charge (increase of £174k).

Government Grants - Capital Grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Govenment Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 balance sheet

- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.

This has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance sheet:		
	2009/10 Statements £'000	Adjustments Made £'000
Government Grants Deferred Account	(7,436)	7,436
Capital Adjustment Account	(32,889)	(7,436)

Closing 31 March 2010 Balance sheet:		
	2009/10 Statements £'000	Adjustments Made £'000
Government Grants Deferred Account	(7,791)	7,791
Capital Adjustment Account	(31,802)	(7,791)

Government Grants - Revenue Grants

Under the Code, grants and contributions for revenue are recognised as income when they become receivable. Previously, grants were held as a receipt in advance and recognised as income to match expenditure.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

2009/10 Comprehensive Income and Expenditure Statement

	2009/10 Statements £'000	Adjustments Made £'000
Cultural, Environmental & Planning	18,158	(125)
Other Housing Services	2,964	(68)
Total Adjustments made due to Recognising Revenue Grants		(193)

Reclassification of Non Current Assets

Under the Code, there has been a change in the definition of the categories of Non Current Assets.

This means that properties that were once classified as an Investment Property are now considered as Plant, Property and Equipment.

As a result the valuation basis of these assets have changed and depreciation is chargeable to the Comprehensive Income and Expenditure Statement.

Opening 1 April 2009 Balance sheet:		
	2009/10 Statements £'000	Adjustments Made £'000
Property, Plant and Equipment	41,255	6,653
Investment Properties	8,929	(8,929)
Capital Adjustment Account	(32,890)	2,276

Closing 31 March 2010 Balance sheet:		
	2009/10 Statements £'000	Adjustments Made £'000
Property, Plant and Equipment	42,572	8,002
Investment Properties	8,156	(8,156)
Capital Adjustment Account	(31,802)	154

Categories of Short-term Debtors and Short-term Creditors

The Code recommends that Short-term Debtors and Short-term Creditors are categorised into the following headings:
- Central Government Bodies
- Other Local Authorities
- NHS Bodies
- Public corporations and trading funds
- Other entities and individuals

This is a deviation from categories previously presented, which has resulted in the Short-term Debtors and the Short-term Creditors being recategorised into the suggested headings as listed above. This has been possible for the restatement of the Short-term Debtors as at 1 April 2009 and 31 March 2010. It has also been possible for the restatement of Short-term Creditors as at 31 March 2010. The Creditor information was not extracted at the time of presenting the 2008/09 Statement of Accounts as this was not a requirement set out in the Statement of Recommended Practice. Therefore the detail is not available to restate the Short-term Creditors as at 1 April 2009 into the suggested headings.

2. PRIOR PERIOD ADJUSTMENTS

Revaluation gains and losses

The audit of the 2009/10 Statement of Accounts highlighted that some revaluation gains on land had been offset against revaluation losses on buildings for some specialised operational properties (Octagon, Yeovil Recreation Centre and gypsy sites). Due to the technicalities and time required to correct the disclosures within the 2009/10 Statement of Accounts, it was felt that it would not be beneficial to the reader. To ensure that the accounting was correct, amendments were made during 2010/11 and the figures for 2009/10 were restated.

Closing 31 March 2010 Balance sheet:		
	2009/10 Statements £'000	Adjustments Made £'000
Revaluation reserve	(7,946)	(390)
Capital Adjustment Account	(31,802)	390

Revenue Expenditure Funded from Capital Under Statute

During 2010/11, it was discovered that an asset (Toilets in Peter Street, Yeovil), however, the responsibility of these toilets passed over to Yeovil Town Council. The asset remained on the asset register and as such on the Balance Sheet of the 2009/10 Statement of Accounts.

Closing 31 March 2010 Balance sheet:		
	2009/10 Statements £'000	Adjustments Made £'000
Plant, Property and Equipment • Land and Buildings	38,661	(245)
Capital Adjustment Account	(31,802)	245

Deferred Capital Receipts
The accounting for the right to receive capital income following a sale of an easement to a developer over a site in Yeovil had not been accounted for correctly. The agreement with the developer to purchase the easement was signed in December 2007 for £7 million. At this point a debtor should have been created alongside a Deferred Capital Receipt as it was agreed that the payment would be over a period of time rather than at the time of sale. Capital Receipts were received in August 2008 (£0.5 million), January 2009 (£1.5 million) and March 2010 (£2.5 million) with the remainder due to be received in 2011/12. As such the figures for 2008/09 and 2009/10 have been restated.

Opening 1 April 2009 Balance sheet:		
	2009/10 Statements £'000	Adjustments Made £'000
Long Term Debtors	713	2,500
Debtors	4,702	2,500
Deferred Capital Receipts	(222)	(5,000)

Closing 31 March 2010 Balance sheet:		
	2009/10 Statements £'000	Adjustments Made £'000
Long Term Debtors	612	2,500
Deferred Capital Receipts	(162)	(2,500)

ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Authority, which will need to be adopted fully by the authority in the 2011/12 financial statements.

Heritage Assets: Impact of the Adoption of the New Standard on the 2011/12 Financial Statements

The authority is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Authority, in this case, heritage assets. As is set out above, full adoption of the standard will be required for 2011/12 financial statements. However, the Authority is required to make disclosure of the estimated effect of the new standard in these financial statements. The new standard will require that a new class of assets, “heritage assets” be disclosed separately on the face of the Authority’s Balance Sheet in the 2011/12 financial statements.

Heritage assets are assets that are held by the authority principally for their contribution to knowledge or culture. Heritage assets held by the authority are the collections of assets and artefacts either exhibited or stored in the local authority museum. The six principal collections of heritage assets held in the museum include:

- Firearms
- Ceramic, sculptures, bronzes and woodcarvings,
- The art collection and photos
- Antiques furniture, rugs and tapestries
- Medals
- Antiquarian books and manuscripts.

The collection is not currently recognised in the financial statements, as no information is available on the cost of these assets (these assets are held in the asset register of the Authority and detailed records are kept on each asset by the curators of the museum, this includes insurance valuation information).

The Code will require that heritage assets be measured at valuation in the 2011/12 financial statements (including the 2010/11 comparative information). The 2011/12 Code will permit some relaxations in the valuation requirements of heritage assets and this will mean that the Authority is able to recognise more of its collections of heritage assets in the Balance Sheet. The Authority anticipates that it will be able to recognise some of its collection on the Balance Sheet using its base as the detailed insurance valuations (which are based on market values) held by the Authority in respect of the collection. The authority is unlikely to be able to recognise the remainder of the collection in future financial statements as it is of the view that obtaining valuations for the collection would involve a disproportionate cost of obtaining the information in comparison to the benefits to the users of the Authority's financial statements – this exemption is permitted by the 2011/12 Code.

The authority also holds information on the value of these assets for insurance purposes, and the market value of the assets as at 1 April 2010 is £1.6 million.

There is no depreciation charged on the heritage assets that are currently classified as community assets because it has been estimated that the assets have a useful life of such length that any depreciation charge on the asset will be negligible and can be ignored on the basis of materiality. The Authority considers that the heritage assets held by the Authority will have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation for the assets. There will therefore be no change to the depreciation charged in the financial statements in relation to the authority's heritage assets.

Community Assets: Impact of the Adoption of the New Standard on the 2011/12 Financial Statements

As a consequence of the adoption of FRS 30 in the Code (see Heritage Assets: Impact of the Adoption of the New Standard on the 2011/12 Financial Statements), the Code added the option for local authorities to extend the measurement and disclosures required by heritage assets to community assets, a sub classification of Property, Plant and Equipment in the Balance Sheet. The authority has opted to change its accounting policy in relation to the measurement and disclosure of community assets in the financial year 2011/12 as it believes that valuation is a better measurement of the economic benefits and service potential of the assets.

The Authority is required to disclose information relating to the impact of this change in accounting policy in the 2011/12 financial statements in a disclosure note to the 2010/11 financial statements.

Community assets are currently held at depreciated historical cost in the financial statements. The carrying amount for community assets at the 1 April 2010 is £0.672 million.

The Code will permit a move to a valuation basis for community assets in 2011/12. The Authority plans to recognise the remaining community assets in the balance sheet at existing use value in property, plant and equipment.

The remaining community assets of the authority are all land assets that have an unlimited useful life and therefore depreciation is not charged. As this is consistent with the current accounting policy there are no changes to the depreciation charged.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Authority 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 is 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 authority 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 covertible to known amounts of cash and which are subject to an insignificant risk of changes in value. SSDC will include deposits in Money Market Funds and Business Reserves in Cash Equivalents.

- 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 (ie. assets where the cost or value is at least £500,000) is enhanced, acquired or re-valued.

5. 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 Authority 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 Authority's Balance Sheet at 31 March 2011 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 Authority 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 £84k for every year that useful lives had to be reduced
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the authority with expert advice about the assumptions to be applied.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £4.48million to the provision needed.
Arrears	At 31 March 2011, the Authority had a balance of sundry debtors for £2.89million. A review of significant balances suggested that an impairment of doubtful debts of 5% (£769k) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £769k to set aside as an allowance.

6. EXCEPTIONAL ITEMS OF INCOME AND EXPENDITURE

In the 10/11 budget, the coalition government announced that the pension increase order applied to public service pension schemes' pensions in payment will be linked to the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). This has resulted in a negative pension cost of £10.019 million.

7. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Assistant Director - Finance & Corporate Services on 22 September 2011. Events taking place after this date are not reflected in the financial statements or notes.

8. 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 Authority in the year in accordance with proper acounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2010/11	**Usable Reserves**				
	General Fund Balance	**Earmarked Reserves**	**Capital Receipts Reserves**	**Capital Grants Unapplied**	**Movement in Unusable Reserves**
Adjustments involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non current assets	(2,375)				2,375
Revaluation losses on Property Plant and Equipment					
Amortisation of intangible assets	(30)				30
Capital grants and contributions applied	3,024				(3,024)
Capital grants and contributions unapplied	824			(824)	0
Revenue expenditure funded from capital under statute	(2,799)				2,799
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					
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	208				(208)
Capital expenditure charged against the General Fund					
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	317		(447)		130
Use of the Capital Receipts Reserve to finance new capital expenditure			2,790		(2,790)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals					
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(22)		22		0

2010/11	Usable Reserves				
	General Fund Balance	Earmarked Reserves	Capital Receipts Reserves	Capital Grants Unapplied	Movement in Unusable Reserves
Adjustments involving the Financial Instruments Adjustments Account:					
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	5				(5)
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 49)	4,742				(4,742)
Employer's pensions contribtuions and direct payments to pensioners payable in the year	2,499				(2,499)
Adjustments involving the Collection Fund Adjustments Account:					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	51				(51)
Adjustment involving the Accumulating Compensated Absences Adjustment Account:					
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	44				(44)
TOTAL ADJUSTMENTS	**6,488**	**0**	**2,365**	**(824)**	**(8,029)**

2009/10 comparative figures	Usable Reserves				
	General Fund Balance	Earmarked Reserves	Capital Receipts Reserves	Capital Grants Unapplied	Movement in Unusable Reserves
Adjustments involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non current assets	(662)				662
Revaluation losses on Property Plant and Equipment					
Amortisation of intangible assets	(44)				44
Capital grants and contributions	693				(693)
Revenue expenditure funded from capital under statute	(3,267)				3,267
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	3,409		(4,149)		740
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	181				(181)
Adjustments involving the Capital Receipts Reserve:					
Transfer from the Deferred Capital Receipts Reserve from the Capital Receipts Reserve upon receipt of cash			(2,500)		2,500
Use of the Capital Receipts Reserve to finance new capital expenditure			4,342		(4,342)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(14)		14		0
Adjustments involving the Financial Instruments Adjustments Account:					
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	(19)				19
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 49)	(5,376)				5,376
Employer's pensions contribtuions and direct payments to pensioners payable in the year	2,897				(2,897)

2009/10 comparative figures	Usable Reserves				
	General Fund Balance	Earmarked Reserves	Capital Receipts Reserves	Capital Grants Unapplied	Movement in Unusable Reserves
Adjustments involving the Collection Fund Adjustments Account:					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(48)				48
Adjustment involving the Accumulating Compensated Absences Adjustment Account:					
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	(84)				84
TOTAL ADJUSTMENTS	**(2,334)**	**0**	**(2,293)**	**0**	**4,267**

9. OTHER OPERATING INCOME AND EXPENDITURE

Previous Year 2009/10 £'000		Current Year 2010/11 £'000
3,471	Parish council precepts & levies	3,634
14	Payments to the Government Housing Capital Receipts Pool	22
86	(Surplus)/Deficit on Trading Undertaking (Note 37)	155
(1,303)	Easements and other Capital Receipts	(323)
2,268	**Total Other Operating Income and Expenditure**	**3,488**

10. EASEMENTS AND OTHER CAPITAL RECEIPTS

The Council received £323k in Right to Buy Receipts compared to £374k in 2009/10. The 2009/10 figure includes capital receipts of £361k in respect of a licence to develop the Foundry House site and £390k from a deferred capital receipt of a car park

11. NET LOSS ON DISPOSAL OF FIXED ASSETS

The net loss on disposal of fixed assets amounted to £5,755.

12. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

Previous Year 2009/10 £'000		Current Year 2010/11 £'000
36	Interest payable and similar charges	27
2,549	Pensions interest cost and expected return on pensions assets	2,319
(2,225)	Interest receivable and similar income	(1,319)
360	**Total Financing and Investment Income and Expenditure**	**1,027**

13. TAXATION AND NON SPECIFIC GRANT INCOME

Previous Year 2009/10 £'000		Current Year 2010/11 £'000
(12,319)	Council tax income	(12,712)
(8,924)	Non domestic rates	(9,717)
(2,516)	Non-ringfenced government grants	(5,370)
(23,759)	**Total Taxation and Non Specific Grant Income**	**(27,799)**

14. PROPERTY, PLANT AND EQUIPMENT

Movements in 2010/11:

	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infra-structure Assets £'000	Com-munity Assets £'000	Surplus Assets £'000	Assets under Con-struction £'000	Total Property Plant & Equip-ment £'000
Cost or Valuation							
As at 1 April 2010	**48,019**	**4,596**	**648**	**673**	**328**	**106**	**54,370**
Additions	1,745	1,173	82	0	0	13	**3,013**
Disposals	0	(30)	0	0	0	0	**(30)**
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	3,683	1	0	0	7	0	**3,691**
Revaluation Increases/(decreases) recognised in the Surplus/deficit on the Provision of Services	(645)	(114)	0	0	0	0	**(759)**
Derecognition - Disposals							
Derecognition - Other							
Reclassification	(50)	(13)	0	13	(150)	0	**(200)**
Assets reclassified (to)/from Held for Sale							
Other movements in Cost or Valuation							
As at 31 March 2011	**52,752**	**5,613**	**730**	**686**	**185**	**119**	**60,085**
Accumulated Depreciation							
As at 1 April 2010	**(1,679)**	**(1,718)**	**(11)**	**0**	**0**	**0**	**(3,408)**
Depreciation charge	(911)	(695)	(11)	0	0	**0**	**(1,617)**
Depreciation written out to the Revaluation Reserve	125	4	0	0	0	**0**	**129**
Depreciation written out to the Surplus/Deficit on the Provision of Services							
Impairment losses/(reversals) recognised in the Revaluation Reserve							
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services							
Derecognition - Disposals	0	24	0	0	0	**0**	**24**
Derecognition - Other							
Other movements in Depreciation and Impairment	0	13	0	(13)	0	**0**	**0**
As at 31 March 2011	**(2,465)**	**(2,372)**	**(22)**	**(13)**	**0**	**0**	**(4,872)**
Net Book Value							
At 31 March 2011	**50,287**	**3,241**	**708**	**673**	**185**	**119**	**55,213**
At 31 March 2010	**46,339**	**2,878**	**637**	**673**	**328**	**106**	**50,961**

Comparative Movements in 2009/10:

	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infra-structure Assets £'000	Com-munity Assets £'000	Surplus Assets £'000	Assets under Con-struction £'000	Total Property Plant & Equip-ment £'000
Cost or Valuation							
As at 1 April 2009	48,296	3,231	40	1,056	226	22	52,871
Adjustments between cost/value & depreciation/impairment	(2,178)	903					(1,275)
Adjusted 1 April 2009 Balance	**46,118**	**4,134**	**40**	**1,056**	**226**	**22**	**51,596**
Additions	975	690	225	0	0	85	**1,975**
Disposals	(549)	0	0	0	(70)	0	**(619)**
Revaluation Increases/(decreases) to Revaluation Reserve	908	(201)	0	0	0	0	**707**
Revaluation Increases/(decreases) recognised in the Surplus/deficit on the Provision of Services	730	(27)	0	0	0	0	**703**
Derecognition - Disposals	(248)						**(248)**
Reclassification	1	0	383	(383)	0	(1)	**0**
Assets reclassified (to)/from Held for Sale	84	0	0	0	172	0	**256**
As at 31 March 2010	**48,019**	**4,596**	**648**	**673**	**328**	**106**	**54,370**
Depreciation and Impairment							
As at 1 April 2009	(1,447)	(793)	(4)	0	0	0	(2,244)
Adjustments between cost/value & depreciation/impairment	(98)	(488)	0	0	0	0	(586)
Adjusted 1 April 2009 Balance	**(1,545)**	**(1,281)**	**(4)**	**0**	**0**	**0**	**(2,830)**
Depreciation charge	(705)	(681)	(7)	0	0	0	(1,393)
Depreciation written out to the Revaluastion Reserve	564	244	0	0	0	0	808
Depreciation written out to the Surplus/Deficit on the Provision of Services							
Impairment losses/(reversals) recognised in the Revaluation Reserve							
Derecognition - Disposals	6	0	0	0	0	0	6
As at 31 March 2010	**(1,680)**	**(1,718)**	**(11)**	**0**	**0**	**0**	**(3,409)**
Net Book Value							
At 31 March 2010	**46,339**	**2,878**	**637**	**673**	**328**	**106**	**50,961**
At 31 March 2009	**44,573**	**2,853**	**36**	**1,056**	**226**	**22**	**48,766**

15. TANGIBLE FIXED ASSETS - MISCELLANEOUS

Assets are depreciated on a straight line basis and are assigned the following useful lives for the purposes of determining depreciation except where the District Valuer has advised differently:

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

Included in the above net book values are the following assets that relate to the Yeovil Crematorium and Cemetery Joint Committee. The Crematorium is 89% owned by the Council and will remain within the Council's asset register.

1 April 2009 £'000	31 March 2010 £'000		31 March 2011 £'000
2,020	2,030	Operational Land and Buildings	2,010
132	138	Vehicles, Plant and Equipment	180
46	46	Community Assets	46
2,198	**2,214**	**Total Yeovil Crematorium and Cemetery Joint Committee Assets**	**2,236**

16. FIXED ASSET VALUATION

All fixed assets owned by South Somerset District Council have been valued on a five year rolling programme by an external independent valuer – Charles Cox, FRICS, District Valuer – on the under mentioned bases 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.

17. CAPITAL COMMITMENTS

There were no significant capital contracts that SSDC had entered into as at the 31 March 2011.

18. CONSTRUCTION CONTRACTS

At 31 March 2011 the Authority had no construction contracts in progress.

19. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Previous Year 2009/10 £'000		Current Year 2010/11 £'000
4,497	Revenue Expenditure funded from Capital under Statute charged to Service Revenue Accounts	2,799
(1,230)	Less external contributions received	(1,797)
3,267	**Net Revenue Expenditure Funded from Capital Under Statute**	**1,001**

20. INTANGIBLE ASSETS

The Authority 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 Authority. Software assets are assigned useful lives of between 3 and 5 years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £30k charged to revenue in 2010/11 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

	31 March 2010	31 March 2011
	Software £'000	Software £'000
Balance at start of year:		
• Gross carrying amounts	179	175
• Accumulated amortisation	(99)	(110)
Net carrying amount at start of year	**80**	**65**
Additions	29	163
Disposals	(33)	0
Amortisation for the period	(44)	(30)
Amortisation on disposal	33	0
Net Carrying amount at end of year	**65**	**198**
Comprising:		
• Gross carrying amounts	175	338
• Accumulated amortisation	(110)	(140)
Total Intangible Assets	65	198

21. INVESTMENT PROPERTIES

The Authority currently do not hold investment properties.

22. ASSETS HELD FOR SALE

31 March 2010 £'000		31 March 2011 £'000
335	Balance outstanding at start of year	26
	Assets newly classified as held for sale:	
0	• Property, Plant and Equipment	200
	Assets reclassified as held for sale:	
(309)	• Property, Plant and Equipment	(26)
	Assets sold	
26	**Total Assets Held for Sale**	**200**

23. LONG AND SHORT TERM INVESTMENTS

The investments as at 31 March 2011 consist of:

1 April 2009 £'000	31 March 2010 £'000		31 March 2011 £'000
		Long Term Investments	
14,079	15,097	Euro Sterling and World Bonds > 1 year to maturity	10,392
2,000	0	Callable Deposits	0
2,000	0	Term Deposits > I year to maturity	0
3	2	Government Stocks	2
18,082	**15,099**		**10,394**
		Short Term Investments	
3,149	2,090	Euro Sterling and World Bonds < 1 year to maturity	8,341
14,000	19,000	Term Deposits < 1 year to maturity	16,000
17,149	**21,090**		**24,341**
35,231	**36,189**	**Total Investments**	**34,735**

24. LONG TERM DEBTORS

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

1 April 2009 £'000	31 March 2010 £'000		31 March 2011 £'000
482	406	Loans agreed under SSDC loans policy	316
139	95	Mortgages (net of Bad Debt Provision)	91
92	111	Car Loans	133
2,500	2,500	Other Long Term Debtors	0
3,213	**3,112**	**Total Long Term Debtors**	**540**

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

25. INVENTORIES

1 April 2009 £'000	31 March 2010 £'000		31 March 2011 £'000
124	147	**Balance outstanding at start of year**	134
23	(13)	End of year stock adjustment	18
147	**134**	**Total Inventories**	152

26. SHORT-TERM DEBTORS

1 April 2009 £'000	31 March 2010 £'000		31 March 2011 £'000
1,853	2,871	Other Government Bodies	2,155
323	961	Other Local Authorities	587
98	1	NHS Bodies	2
5,059	3,023	Other Entities and Individuals	5,936
7,333	**6,856**	**Total Short-term Debtors**	**8,680**

27. CASH AND CASH EQUIVALENTS

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

1 April 2009 £'000	31 March 2010 £'000		31 March 2011 £'000
30	10	Cash held by the Authority	9
1,097	(925)	Bank current accounts	(1,479)
4,423	2,960	Short-term deposits with Business Reserve accounts and Money Market Funds	4,000
5,550	**2,045**	**Total Cash and Cash Equivalents**	**2,530**

28. SHORT-TERM CREDITORS

1 April 2009 £'000	31 March 2010 £'000		31 March 2011 £'000
1,668	2,040	Other Government Bodies	1,417
200	1,901	Other Local Authorities	612
73	112	NHS Bodies	0
9	29	Public Corporations and Trading Funds	39
5,163	2,831	Other Entities and Individuals	2,931
185	0	Unable to categorise into the above*	0
7,298	**6,913**	**Total Short-term Creditors**	**4,999**

South Somerset District Council do not hold details of these creditors to be able to categorise into the headings as set out in the Code of Practice on Local Authority Accounting 2010/11, as this information was not a disclosure requirement in 2008/09. This information can not be etracted retreospectively.

29. PROVISIONS

2008/09 £'000	2009/10 £'000		Additional Provisions in 2010/11 £'000	Applied Provisions in 2010/11 £'000	Current Year 2010/11 £'000
(15)	(20)	Invoices in dispute	(163)	0	(183)
(15)	**(20)**	**Total Provisions**	**(163)**	**0**	**(183)**

Invoices are in dispute with 2 creditors.

- Negotiations are continuing with the land owner over an invoice in dispute which related to service charges for a public office.
- Discussions are ongoing with Somerset County Council over a concessionary fare invoice for charges relating to 2008/09.

30. DEVELOPERS CONTRIBUTION DEFERRED

1 April 2009 £'000	31 March 2010 £'000		31 March 2011 £'000
(481)	(275)	Balance as at 1 April	(348)
(94)	(156)	Additional Deposits	(1,374)
300	83	Applied Deposits	231
(275)	**(348)**	**Total Developers Contribution Deferred**	**(1,491)**

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

31. USABLE RESERVES

1 April 2009 £'000	31 March 2010 £'000		31 March 2011 £'000
2,715	3,680	General Fund Balance	3,881
4,514	3,907	Earmarked Reserves	4,583
34,146	33,939	Capital Receipts Reserve	31,574
0	0	Capital Grants Unapplied	824
41,375	**41,526**	**Total Usable Reserves**	**40,862**

Capital Receipts Reserve

1 April 2009 £'000	31 March 2010 £'000		31 March 2011 Housing Transfer £'000	31 March 2011 Other £'000	31 March 2011 Total £'000
41,951	34,146	Balance of Usable Receipts at 1 April	13,057	20,882	33,939
2,500	2,500	Transfer from the Deferred Capital Receipts Reserve upon receipt of Cash	0	0	0
5,999	1,648	Receipts from Sale of Assets	0	447	447
(10,393)	(4,341)	Receipts applied to finance Capital Expenditure	0	(2,790)	(2,790)
(11)	(14)	Amount payable to the housing capital receipt pool	0	(22)	(22)
34,146	**33,939**	**Total Capital Receipts Reserve**	**13,057**	**18,517**	**31,574**

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 2010/11.

	Balance as at 1 April 2009 £'000	Transfers in 2009/10 £'000	Transfers out 2009/10 £'000	Balance as at 31 March 2010 £'000	Transfers in 2010/11 £'000	Transfers out 2010/11 £'000	Balance as at 31 March 2011 £'000
Capital Fund	1,414	20	0	1,434	74	0	1,508
Crematorium Reserve	1,028	0	(1,028)	0	0	0	0
Cremator Replacement Reserve	0	300	0	300	0	0	300
Burial CAMEO Reserve	0	196	0	196	67	0	263
Elections Reserve	54	44	0	98	37	0	135
Community Projects Reserve	42	2	(10)	34	0	0	34
Historic Buildings Grants Fund	35	0	(29)	6	0	(6)	0
Risk Management Reserve	12	0	0	12	0	0	12
Athletics Track Sinking Fund	103	18	0	121	18	0	139
CCTV Renewal Reserve	6	0	(4)	2	0	(1)	1
Local Plan Inquiry Reserve	56	16	0	72	16	0	88
CFIRS Reserve	6	0	(1)	5	0	0	5
Town Centre Management	35	0	0	35	0	0	35
Planning Delivery Reserve	256	340	(159)	437	0	(174)	263
Save to Earn Reserve	50	0	0	50	0	0	50
Bristol to Weymouth Rail Reserve	34	0	(12)	22	0	0	22
LABGI Reserve	193	50	(80)	163	0	(45)	118
Yeovil Vision Reserve	17	0	(11)	6	0	(5)	1
Voluntary Redundancy/ Retirement Fund	462	727	(1,182)	7	330	(45)	292
Insurance Fund	31	5	(2)	34	5	0	39
Treasury Management Reserve	500	0	0	500	0	0	500
Revenue Grant Reserve	180	373	(180)	373	290	(373)	290
Eco-Town Reserve	0	0	0	0	280	(80)	200
Housing Benefits Reserve	0	0	0	0	244	0	244
Closed Churchyards Reserve	0	0	0	0	5	0	5
Deposit Guarantee Claims Res	0	0	0	0	12	0	12
Park Homes Replacement Reserve	0	0	0	0	13	0	13
Community Justice Panel	0	0	0	0	14	0	14
Total Reserves	**4,514**	**2,091**	**(2,698)**	**3,907**	**1,405**	**(729)**	**4,583**

32. UNUSABLE RESERVES

1 April 2009 £'000	31 March 2010 £'000		31 March 2011 £'000
(7,103)	(8,335)	Revaluation Reserve	(11,997)
(1,100)	(892)	Available for Sale financial Instruments Reserve	(414)
(38,017)	(38,779)	Capital Adjustment Account	(39,652)
(120)	(101)	Financial Instruments Adjustment Account	(106)
36,343	65,726	Pensions Reserve	44,770
(28)	20	Collection Fund Adjustment Account	(31)
246	330	Accumulating Compensated Absences Adjustment Account	286
(5,222)	(2,662)	Deferred Capital Receipts	(2,635)
(15,001)	**15,307**	**Total Unusable Reserves**	**(9,779)**

Revaluation Reserve

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

1 April 2009 £'000	31 March 2010 £'000		31 March 2011 £'000
2,608	7,103	Revaluation Reserve at 1 April	8,335
4,846	1,904	Revaluation gains on fixed assets	3,822
(351)	(83)	Downward revaluation on fixed assets	(3)
0	(415)	Disposals of fixed assets	0
0	(174)	Current value depreciation transferred to Capital Adjustment Account	(157)
7,103	**8,335**	**Total Revaluation Reserve**	**11,997**

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.

1 April 2009 £'000	31 March 2010 £'000		31 March 2011 £'000
177	1,100	Balance as at 1 April	892
0	(85)	Loss on derecognition/maturity	0
923	(123)	Revaluation of Assets at 31 March	(478)
1,100	**892**	**Total Available-for-Sale Financial Instruments Reserve**	**414**

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 enhancement as depreciation, impariment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings 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 Authority as finance for the costs of acquisitions, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

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

31 March 2010			31 March 2011	
£'000	£'000		£'000	£'000
	38,017	Balance at 1 April		38,779
4,342		Capital Expenditure financed from Capital Receipts	2,790	
174		Current value depreciation transferred from Revaluation Reserve	157	
181		Minimum Revenue Provision	208	
693		Capital Grants and Contributions Applied	3,024	
	5,390	Less:		6,179
(3,267)		Write down of Revenue Expenditure funded from Capital under Statute	(2,799)	
(199)		Carrying amount of assets disposed	(32)	
(1,425)		Depreciation	(1,647)	
329		Impairment	(757)	
(66)		Repayment of capital loans	(71)	
	(4,628)			(5,306)
	38,779	**Total Capital Adjustment Account**		39,652

Deferred Credits Account

1 April 2009 £'000	31 March 2010 £'000		31 March 2011 £'000
256	5,222	Balance at 1 April	2,662
(34)	(60)	Repayment of mortgages on sale of Council Houses	(27)
(7,000)	0	Other Deferred Credits	0
2,000	2,500	Transfer to Capital Receipts Reserve	0
5,222	2,662	**Total Deferred Credits**	2,635

Financial Instruments Adjustment Account

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

1 April 2009 £'000	31 March 2010 £'000		31 March 2011 £'000
(16)	120	Balance at at 1 April	101
(6)	(14)	Soft Loans advanced revalued to Net Present Value	(13)
9	10	Interest on Soft Loans credited to Income & Expenditure Account	33
133	(15)	Discount on early repayment of loan	(15)
120	101	**Total Financial Instruments Adjustment Account**	106

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 Authority 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 Authority 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.

1 April 2009 £'000	31 March 2010 £'000		31 March 2011 £'000
(26,013)	(36,343)	Restated Deficit brought forward at 1 April	(65,726)
(2,657)	(2,479)	Contribution from General Fund	7,241
(7,673)	(26,904)	Actuarial Gain/(Loss)	13,715
(36,343)	**(65,726)**	**Total Pensions Reserve Deficit**	**(44,770)**

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.

1 April 2009 £'000	31 March 2010 £'000		31 March 2011 £'000
91	28	Balance as at 1 April	(20)
(63)	(48)	Collection Fund Adjustment in year	51
28	**(20)**	**Total Collection Fund Adjustment Account**	**31**

Accumulating Compensated Absences Adjustment Account

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

31 March 2010 £'000		31 March 2011 £'000
246	**Balance at 1 April**	330
(246)	Settlement or cancellation of accrual made at the end of preceding year	(330)
330	Amounts accrued at the end of the current year	286
330	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	286
330	**Total Accumulating Compensated Absences Adjustment Account**	286

33. FINANCIAL INSTRUMENTS

The authority's accounting policies relating to financial instruments are in accordance with the 2010 SORP, in order to comply with IAS 39, IAS 32 and IFRS 7.

Financial Instruments Balances

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

31 March 2010 Long Term £'000	31 March 2010 Current £'000		31 March 2011 Long Term £'000	31 March 2011 Current £'000
612	19,179	Loans & Receivables	540	16,173
15,099	2,090	Available-for-sale financial assets	10,394	8,341
0	2,960	Cash and Cash Equivalents	0	4,000
0	938	Trade Debtors	0	1,660
0	10	Bank	0	9
15,711	**25,177**	**Total Financial Assets**	**10,934**	**30,183**
0	(1,400)	Trade Creditors	0	(1,618)
0	(1,385)	Capital Creditors	0	(640)
(161)	(187)	Finance Lease	(166)	(135)
0	(925)	Bank Overdraft	0	(1,479)
(161)	**(3,987)**	**Total Financial Liabilities at amortised cost**	**(166)**	**(3,872)**

SSDC repaid the loan of £2m to PWLB early and as a result received a discount of £148k which is to be amortised over 10 years. There was also interest paid of £27k in 2010/11 (£36k in 2009/10) on the newly classified finance leases.

Financial Instruments Gains/Losses

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

31 March 2011	Financial Liabilities	Financial Assets		Total
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Available-for-sale assets £'000	£'000
Interest expense Losses on derecognition	27			
Interest payable and similar charges	27			27
Interest income Gains on derecognition		(601)	(638) (80)	
Interest and investment income		(601)	(718)	(1,319)
Gains on revaluation Losses on revaluation			478	
(Surplus)/Deficit arising on revaluation of financial assets			**478**	
Total Net (gain)/loss for the year	27	(601)	(240)	

For the purpose of comparison, the gains and losses recognised in the Comprehensive Income & Expenditure Statement in relation to financial instruments for 2009/10 are made up as follows:

31 March 2010	**Financial Liabilities**	**Financial Assets**		**Total**
	Liabilities measured at amortised cost £'000	**Loans and receivables £'000**	**Available-for-sale assets £'000**	**£'000**
Interest expense	36	0	0	
Losses on derecognition	0	0	0	
Interest payable and similar charges	36	0	0	36
Interest income		(1,410)	(815)	
Gains on derecognition		0	0	
Interest and investment income		**(1,410)**	**(815)**	(2,225)
Gains on revaluation			0	
Losses on revaluation			208	
(Surplus)/Deficit arising on revaluation of financial assets			**208**	
Total Net (gain)/loss for the year	36	(1,410)	(607)	

Fair Value of Assets and Liabilities carried at amortised cost

Financial assets and liabilities represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments. For instruments maturing within twelve months or with variable interest rates the carrying amount is assumed to approximate to fair value. The fair values calculated are as follows:

Carrying Amount 31 March 2010 £'000	**Fair Value 31 March 2010 £'000**		**Carrying Amount 31 March 2011 £'000**	**Fair Value 31 March 2011 £'000**
19,790	19,790	Loans and receivables	16,713	16,713
0	0	Financial Liabilities	0	0

Nature and Extent of Risks arising from Financial Instruments

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

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

The authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual Treasury Management Strategy Statement and Annual Investment Strategy. Core to this strategy is minimising risk and safeguarding the overall capital sum. In addition to this there is a need to maintain stability of returns in managing the Council's budget and to balance returns through a diversity of instruments with a degree of stability through fixed rate of return investments. To obtain a full copy of this strategy, please refer to the website or contact us on 01935 462462.

The authority has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and has set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash through documented Treasury Management Practices Regular reposts are made to the Portfolio Holder for Finance and Support Services and twice a year to the Council's District Executive Committee. The Treasury Management and Investment Strategy is approved by Full Council.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum score of AA-. The authority has a policy of not lending more than £6 million to one institution or group.

The following analysis summarises the authority's potential exposure to credit risk. There has been no experience of default of non collection over the last five financial years.

Balance invested at 31 March 2010 £000	Bank and Financial Institution	Credit Rating Score as at 31 March 2011	Balance invested at 31 March 2011 £000	Approved Limits at 31 March 2011 £000
17,187	Total Eurobonds/Corporate Bonds	AAA	**18,733**	
2	Total Gilts	AAA	**2**	
5,960	Santander UK PLC	AA-	0	6,000
3,000	Nationwide Building Society	AA-	4,000	6,000
6,000	Bank of Scotland PLC	AA-	6,000	6,000
5,000	Barclays Bank PLC	AA-	6,000	6,000
19,960	Total UK Banks		**16,000**	
0	Standard Life	AAA	0	2,000
0	Invesco AIM	AAA	0	2,000
2,000	Prime Rate	AAA	2,000	2,000
	Blackrock	AAA	2,000	2,000
2,000	Total Money Market Funds		**4,000**	
39,149	**Total Deposits with Banks and Financial Institutions**		**38,735**	

No counterparty institutional or group limits were exceeded during the reporting period and the authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds. Where the authority considers there is a significant risk of default in mortgages, car loans, bike loans, loans for learning or miscellaneous loans then an appropriate provision for bad debts are calculated.

Exposure to default and non-collection

Over the past five years there has been no historical experience of default on deposits with banks and financial institutions or bonds. Therefore our estimated maximum exposure to default and non collection as at 31 March 2011 for these investments is nil. (Nil for 2009/10). Customers are assessed taking into account their financial position, past experience and other factors.

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

Estimated maximum exposure at 31 March 2010 £'000		Amount invested at 31 March 2011 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2011 %	Estimated maximum exposure to default and non collection at 31 March 2011 £'000
0	Deposits with Banks & Financial Institutions	20,000	0	0	0
0	Bonds/Gilts	18,735	0	0	0
1,344	Customers	4,005	33	33	1,322
1,344	Total maximum exposure to default and non collection	42,740			1,322

The past due amount after impairment can be analysed by age as follows:

31 March 2010 Trade Debtors not Impaired £'000		31 March 2011 Trade Debtors £'000	31 March 2011 Impairment £'000	31 March 2011 Trade Debtors not Impaired £'000
758	Under 60 Days	1,526	0	1,526
60	61 - 120 Days	19	0	19
11	120 - 365 Days	105	14	91
5	Over 1 Year	40	37	3
834	Total Trade Debtors not Impaired	1,690	51	1,639

The table beneath, shows the profile of maturity for investments within each financial institution

Rating as at 31 March 2011	Bank or Financial Institution	Maturity of Investment				Total
		1 - 3 Months £'000	3 - 6 Months £'000	6 - 12 Months £'000	Over 12 Months £'000	£'000
	UK Banks					
AA-	Nationwide Building Society	3,000	1,000			**4,000**
AA-	Bank of Scotland PLC			6,000		**6,000**
AA-	Barclays Bank PLC		2,000	4,000		**6,000**
	Total UK Banks	3,000	3,000	10,000	0	**16,000**
	Money Market Funds					
AAA	Prime Rate	2,000				**2,000**
AAA	Blackrock	2,000				**2,000**
	Total Money Market Funds	4,000	0	0	0	**4,000**
	Total Outstanding Investments	**7,000**	**3,000**	**10,000**	**0**	**20,000**

Liquidity Risk

The authority has a comprehensive cash flow management system that seeks to ensure that cash is available as it is needed. If unexpected movement happens, the authority has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead the risk is that the authority will be bound to incur additional borrowings at a time of unfavourable interest rates.

Market risk – Interest rate risk

The authority is exposed to significant risk in terms of its exposure to interest movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

Borrowings at variable rates - the interest expense charged to the Comprehensive Income and Expenditure Statement will rise

Borrowings at fixed rates - the fair value of the 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 assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement or Movement in Reserves Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance pound for pound. Movements in the fair value of fixed rate available-for-sale investments will be reflected in the Movement in Reserves Statement.

The authority has a number of strategies for managing interest rate risk. Policy is to maintain a minimum of 30% of investments in variable rate instruments. All borrowings are currently at fixed rates.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated

According to this assessment strategy, at 31 March 2011, if interest rates had been 1% higher with all other variables held constant, there would have been an increase in interest receivable on variable rate investments of approximately £217,095.

Market risk – Price risk

The authority does not invest in equity shares so is not exposed to gains or losses arising from movements in the price of shares.

Market risk – Foreign exchange risk

The authority has no 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 Authority are denomiated in Pound Sterling.

34. CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

Previous Year 2009/10 £'000		Current Year 2010/11 £'000
(2,437)	Interest received	(1,503)
36	Interest paid	27
(2,401)	**Net Cashflows from Operating Activities**	**(1,476)**

35. CASH FLOW STATEMENT - INVESTING ACTIVITIES

Previous Year 2009/10 £'000		Current Year 2010/11 £'000
912	Purchase of property, plant and equipment, investment property and intangible assets	3,761
4,976	Purchase of short-term and long-term investments	4,000
3,266	Other payments for investing activities	2,818
(57)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(482)
(3,861)	Proceeds from sale of short-term and long-term investments	(4,961)
(2,401)	Proceeds from short-term and long-term investment	(1,476)
(4,166)	Other receipts from investing activites	(2,519)
(1,331)	**Net Cashflows from Investing Activities**	**1,141**

36. CASH FLOW STATEMENT - FINANCING ACTIVITIES

Previous Year 2009/10 £'000		Current Year 2010/11 £'000
0	Cash receipts of short and long-term borrowing	0
10,960	Other receipts from financing activities	8,797
180	Cash payments for the reduction of the outstanding liabilities relating to finance leases	208
0	Repayments of short and long-term borrowing	0
0	Other payments for financing activities	0
11,140	**Net Cashflows from Financing Activities**	**9,005**

37. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Authority's Executive on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to the services in the Comprehensive Income and Expenditure Statement)
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.
- expenditure on some support services is budgeted for centrally and not charged to directorates.

The income and expenditure of the Authority's principal directorates recorded in the budget reports for the year is as follows:

Directorate Income and Expenditure 2010/11	Chief Executive Directorate £'000	Operations & Customer Focus £'000	Place & Performance £'000	TOTAL £'000
Fees, charges & other service income	(880)	(8,826)	(1,179)	(10,885)
Government Grants	(52,881)	(1,457)	(1,425)	(55,763)
Total Income	**(53,761)**	**(10,283)**	**(2,604)**	**(66,648)**
Employee expenses	4,728	8,304	4,342	17,374
Other service expenses	52,949	11,773	4,506	69,228
Total Expenditure	**57,677**	**20,077**	**8,848**	**86,602**
Net Expenditure	**3,916**	**9,794**	**6,244**	**19,954**

Directorate Income and Expenditure 2009/10 Comparative Figures	Chief Executive Directorate £'000	Operations & Customer Focus £'000	Place & Performance £'000	TOTAL £'000
Fees, charges & other service income	(4,006)	(10,890)	(1,577)	(16,473)
Government Grants	(47,996)	(218)	(623)	(48,837)
Total Income	**(52,002)**	**(11,108)**	**(2,200)**	**(65,310)**
Employee expenses	6,350	8,390	4,613	19,353
Other service expenses	48,562	12,312	4,036	64,910
Total Expenditure	**54,912**	**20,702**	**8,649**	**84,263**
Net Expenditure	**2,910**	**9,594**	**6,449**	**18,953**

Reconciliation of Directorates Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

Previous Year 2009/10 £'000		**Current Year 2010/11 £'000**
18,953	Net expenditure in the Directorate Analysis	19,954
0	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	0
8,603	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(3,936)
(2,344)	IFRS Adjustments	0
25,212	**Cost of Services in Comprehensive Income and Expenditure Statement**	**16,018**

Reconciliation to Subjective Analysis

This reconcilation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2010/11	Directorate Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of Recharges	**Cost of Services**	Corporate Amounts	**Total**
	£'000	£'000	£'000	£'000	**£'000**	£'000	**£'000**
Fees, charges & other service income	(9,600)		727	(13,417)	**(22,290)**	(704)	**(22,994)**
Interest and Investment income	(1,286)	(33)	1,319		**0**	(1,319)	**(1,319)**
Income from council tax			0		**0**	(23,789)	**(23,789)**
Government grants and contributions	(55,763)		4,010		**(51,753)**	(4,010)	**(55,763)**
Total Income	(66,649)	(33)	6,056	(13,417)	**(74,043)**	(29,822)	**(103,865)**
Employee expenses	17,374	(31)	(2,489)		**14,854**	170	**15,024**
Other service expenses	69,202	(2,368)	(7,169)		**59,665**	2,414	**62,079**
Support Service recharges			(279)	13,417	**13,138**	271	**13,409**
Depreciation, amortisation and impairment		2,404			**2,404**	0	**2,404**
Interest Payments	27		(27)		**0**	27	**27**
Precepts & Levies		22	0		**0**	3,634	**3,634**
Payments to Housing Capital Receipts			(22)		**0**	22	**22**
Pool		6					
Gain or Loss on Disposal of Fixed Assets			(6)		**0**	6	**6**
Total Expenditure	86,603	33	(9,992)	13,417	**90,061**	6,544	**96,605**
Surplus or deficit on the provision of services	19,954	0	(3,936)	0	**16,018**	(23,278)	**(7,260)**

2009/10 Comparatives	Directorate Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of Recharges	IFRS Adjustment	**Cost of Services**	Corporate Amounts	**Total**
	£'000	£'000	£'000	£'000	£'000	**£'000**	£'000	**£'000**
Fees, charges & other service income	(14,258)	(12)	708	(13,307)		**(26,869)**	(683)	**(27,552)**
Interest and Investment income	(2,215)	(10)	2,225			**0**	(2,225)	**(2,225)**
Income from council tax							(23,759)	**(23,759)**
Government grants and contributions	(48,837)		456		(543)	**(48,924)**	(7)	**(48,931)**
Total Income	(65,310)	(22)	3,389	(13,307)	(543)	**(75,793)**	(26,674)	**(102,467)**
Employee expenses	19,353	26	(2,711)		79	**16,747**	167	**16,914**
Other service expenses	64,903	(2,709)	8,161		(36)	**70,319**	441	**70,760**
Support Service recharges			(211)	13,307		**13,096**	202	**13,298**
Depreciation, amortisation and impairment		2,691			(1,844)	**847**	3	**850**
Interest Payments	7		(7)			**0**	2,556	**2,556**
Precepts & Levies							3,485	**3,485**
Payments to Housing Capital Receipts Pool		14	(14)			**0**	(14)	**(14)**
Gain or Loss on Disposal of Fixed Assets			(4)			**(4)**	(903)	**(907)**
Total Expenditure	84,263	22	5,214	13,307	(1,801)	**101,005**	5,937	**106,942**
Surplus or deficit on the provision of services	18,953	0	8,603	0	(2,344)	**25,212**	(20,737)	**4,475**

38. TRADING OPERATIONS

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

Previous Year		Current Year		
2009/10 (Surplus)/Deficit £'000		2010/11 Expenditure £'000	2010/11 Income £'000	2010/11 (Surplus)/ Deficit £'000
103	Properties	348	(231)	117
32	Markets	105	(58)	47
88	Catering	185	(85)	100
(137)	Careline	221	(330)	(109)
86	**Total Trading Accounts**	**859**	**(704)**	**155**

39. AGENCY SERVICES

Rights of Way Agency agreement ended 31st March 2010:

Previous Year		Current Year		
2009/10 (Surplus)/Deficit £'000	Somerset County Council Rights of Way	2010/11 Expenditure £'000	2010/11 Income £'000	2010/11 (Surplus)/ Deficit £'000
(3)	Routine Maintenance	0	0	0

40. MEMBERS' ALLOWANCES

Previous Year 2009/10 £'000		Current Year 2010/11 £'000
347	Basic Allowance	363
112	Special Responsibility Allowance	122
32	Expenses	27
491	**Total Members Allowance**	**512**

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

41. OFFICERS' REMUNERATION

During the 2010/11 financial year the number of officers who received remuneration (which includes salary, leased car and termination payments) in excess of £50,000 were as follows:

Number of Employees 2009/10			Remuneration Band	Number of Employees 2010/11		
Total	Left during year	Compensation for loss of office		Total	Left during year	Compensation for loss of office
4	2	Yes	£50,000 - £54,999	5	1	Yes
6	0		£55,000 - £59,999	7	1	Yes
1	0		£60,000 - £64,999	1	0	
1	0		£65,000 - £69,999	1	1	Yes
1	0		£70,000 - £74,999	0	0	
1	1	Yes	£75,000 - £79,999	1	0	
0	0		£80,000 - £84,999	1	0	
0	0		£85,000 - £89,999	1	1	Yes
1	0		£90,000 - £94,999	0	0	
1	0		£95,000 - £99,999	2	1	Yes
0	0		£100,000 - £104,999	1	0	
1	1	Yes	£160,000 - £164,999	0	0	
1	1	Yes	£175,000 - £179,999	0	0	
1	1	Yes	£330,000 - £334,999	0	0	

The table above includes the remuneration for Senior Officers as detailed beneath.

Senior Officers
A senior officer is an employee whose salary is more than £150,000 per year; or one whose salary is at least £50,000 (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), their direct reports (other than administration staff), and statutory chief officers. For South Somerset District Council, the senior employees are the Strategic Directors (Corporate Directors before the restructure) and the Assistant Directors with statutory roles.

Senior Officers Emoluments

Current Year 2010/11 Post Title	Name of officer	Notes	Salary (including Fees & Allowances) £'000	Compensation for loss of office £'000	Benefits in kind £'000	Total Remuneration (excl. Pension Contribution) £'000	Pension Contributions £'000	Total Remuneration (inc. Pension Contribution) £'000
Chief Executive	M Williams		61	0	5	66	11	77

Previous Year 2009/10 Post Title	Name of officer	Notes	Salary (including Fees & Allowances) £'000	Compensation for loss of office £'000	Benefits in kind £'000	Total Remuneration (excl. Pension Contribution) £'000	Pension Contributions £'000	Total Remuneration (inc. Pension Contribution) £'000
Chief Executive	M Williams	1	2	0	0	2	0	2
Chief Executive	P Dolan	2	157	167	6	330	239*	569
TOTAL			159	167	0	332	239	571

Note 1: Mr Williams joined South Somerset District Council as a joint chief Executive (of both South Somerset District Council and East Devon District Council) on 22 March 2010 with a contribution to East Devon District Council (as he is paid by that authority) of £77,238 (annualised contribution of £69,648 for 2009/10). Mr Williams' salary is shared on a 50/50 basis.

Note 2: Mr Dolan resigned (through redundancy) as Chief Executive on 19 March 2010, his annualised salary was £133,878. The compensation for loss of service was a result of having a Joint Chief Executive. East Devon District Council contributed 40% (£165,854) towards this cost.

*a pension contribution of £219,000 was paid to Somerset County Council in 2010/11 as part of this change.

Current Year 2010/11 Post Title	Salary (including Fees & Allowances) £'000	Expense Allowance £'000	Compensation for loss of office £'000	Benefits in kind £'000	Total Remuneration (excl. Pension Contribution) £'000	Pension Contributions £'000	Total Remuneration (inc. Pension Contribution) £'000
Strategic Director (Place & Performance)	97	1	0	4	102	15	117
Strategic Director (Operations & Customer Focus)	95	0	0	4	99	15	114
Assistant Director (Finance & Corporate Services)	73	0	0	5	78	11	89
Assistant Director (Legal & Corporate Services)	73	0	0	8	81	11	92
TOTAL	**338**	**1**	**0**	**21**	**360**	**52**	**412**

Previous Year 2009/10 Post Title	Salary (including Fees & Allowances) £'000	Expense Allowance £'000	Compensation for loss of office £'000	Benefits in kind £'000	Total Remuneration (excl. Pension Contribution) £'000	Pension Contributions £'000	Total Remuneration (inc. Pension Contribution) £'000
Strategic Director (Place & Performance)	97	0	0	4	101	15	116
Strategic Director (Operations & Customer Focus)	93	0	0	4	97	14	111
Assistant Director (Finance & Corporate Services)	68	0	0	5	73	10	83
Assistant Director (Legal & Corporate Services)	67	0	0	8	75	10	85
TOTAL	**325**	**0**	**0**	**21**	**346**	**49**	**395**

42. AUDIT COSTS

In 2010/11 South Somerset District Council incurred the following fees relating to external audit and inspection:

Previous Year 2009/10 £'000		Current Year 2010/11 £'000
107	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	102
8	Fees payable to the Audit Commission in respect of statutory inspection	0
39	Fees payable to the Audit Commission for the certification of grant claims and returns	34
3	Fees payable in respect of other services provided by the appointed auditor	1
157	**Total Audit Costs**	**137**

43. LONG TERM CONTRACTS

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

Contractor	Services Provided	Date of Expiry of Contract	Payments 2010/11 £'000	Ongoing Commitment £'000
Somerset Waste Partnership	Refuse Collection and Support Services	October 2021	3,753	46,634

The contract was extended in July 2011 by another 7 years from October 2014.

44. GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11

Previous Year 2009/10 £'000		Current Year 2010/11 £'000
50	Local Authority Business Growth Initiative Grant	0
65	Area Based Grant	111
340	Housing & Planning Delivery Grant	0
693	Capital Grants	3,847
641	Miscellaneous Grants	1,316
1,789	Total Other Government Grants	5,274
47,362	Housing Benefits	50,489
2,060	Revenue Support Grant	1,411
51,211	**Total Government Grants**	**57,174**

45. RELATED PARTY TRANSACTIONS

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

Precepts from Other Local Authorities are detailed on page 83 in Note 1 to the Collection Fund and receipts from Central Government are detailed on page 73 in Note 44 to the Core Financial Statements.

Transactions to and from the Pension Fund are detailed on pages 77 to 81 in Note 50 to the Core Financial Statements.

The Council is part of a Joint Venture called Lufton 2000, with Abbey Manor Developments Ltd, to purchase and develop 30 acres of industrial land at Lufton; in 2010/11 £150,000 was paid out towards the development of land for phase III of the project. The draft unaudited accounts of the joint venture for the year ended 31 March 2011 disclose net assets of £900,000 and a net profit of £10,000. The shares are jointly held with SSDC and Abbey Manor Developments Ltd each holding a 50% interest. A copy of these accounts may be obtained from the Council by telephoning 01935 462462.

Following an amendment to Yarlington Homes Memorandum and Articles in 2009/10, South Somerset District Council no longer nominates members to its board. Members can be still be a member of the board but undergo approval through a selection process, currently there are no members on the board.

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 2010/11	SSDC Councillor
Crewkerne Aqua Centre	£600,000 loan advanced in previous years. Balance at 31st March 2011 is £330,000.	Cllr G Clarke
Citizens Advice Bureau	£115,821 in funding support.	Cllr H Hobhouse
South Somerset Association for Voluntary and Community Action	£71,127 in funding support.	Cllrs A Smith, Cllr R Pallister (Observer)
Wincanton Community Sports Centre	£66,487 in funding support.	Cllr J Calvert Cllr T Carroll (Observer)
Parrett Drainage Board	£52,688 as a special levy.	Cllr R Mills Cllr P Palmer Cllr M Lewis
Wincanton Community Venture (Balsam Centre)	£34,250 loan advanced in previous years. Balance at 31st March 2011 is £26,242. £15,315 in funding support and grants.	Cllr T Carroll
Barnabas Housing Association	£20,515 in grant	Cllr R Kendall Cllr R Pallister (Observer)
Community Council for Somerset	£12,913 in funding support.	Cllr L Boucher
A Better Crewkerne and District	£11,733 in grant	Cllr M Best
Crowshute House Management Committee, Chard	£8,550 in grant.	Cllr R Roderigo
Somerset Racial Equality Council	£8,000 as a service level agreement.	Cllr D Greene
South Somerset Disability Forum	£7,925 in grant	Cllr J Calvert Cllr A Campbell Cllr R Kendall
Chard and District Museum Society	£6,840 in grant	Cllr L Vijeh

46. CAPITAL EXPENDITURE AND FINANCING

Previous Year 2009/10			Current Year 2010/11	
£'000	**£'000**		**£'000**	**£'000**
	9,561	**Opening Capital Financing Requirement**		9,461
		Capital Expenditure		
29		Intangible Non-Current Assets	163	
1,975		Non-Current Assets	3,013	
4,497		Revenue Expenditure funded from Capital under Statute	2,799	
			0	
10		Loans Provided	0	
0		Corporate Bonds Acquired		
	6,511			5,975
		Sources of Finance		
(4,342)		Use of Capital Receipts	(2,790)	
(2,089)		Government Grants & Other Contributions	(3,023)	
(180)		Minimum Revenue Provision	(208)	
	(6,611)			(6,041)
	9,461	**Closing Capital Financing Requirement**		**9,415**

47. 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:

1 April 2009 £'000	31 March 2010 £'000		31 March 2011 £'000
0	0	Other Land and Buildings	0
496	322	Vehicles, Plant, Furniture and Equipment	205
496	**322**	**Total Carrying Amount of Leases**	**205**

The Authority 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 Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

1 April 2009 £'000	31 March 2010 £'000		31 March 2011 £'000
529	348	Finance lease liabilities (net present value of minimum lease payments)	301
56	29	Finance costs payable in future years	30
585	**377**	**Total Minimum Lease Payments**	**331**

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

	Minimum Lease Payments			Finance Lease Liabilities		
	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Not later than one year	150	206	209	135	187	181
Later than one year and not later than five years	181	171	376	166	161	348
Later than five years	0	0	0	0	0	0
Total Finance Lease Payments	**331**	**377**	**585**	**301**	**348**	**529**

Operating Leases

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

31 March 2010 £'000				31 March 2011 £'000		
Vehicles, Plant & Equipment	Property	Total		Vehicles, Plant & Equipment	Property	Total
51	58	109	Not later than one year	82	123	205
66	90	156	Later than one year and not later than five years	79	151	230
0	1,024	1,024	Later than five years	0	1,220	1,220
117	**1,172**	**1,289**	**Total Operating Lease Payments**	**161**	**1,494**	**1,655**

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

Previous Year 2009/10 £'000		Current Year 2010/11 £'000
	Minimum lease payments	
119	• Vehicles, Plant and Equipment	194
59	• Property	57
178	**Total Operating Lease Payments Charged to the Comprehensive Income and Expenditure Statement**	**251**

Authority as Lessor

Operating Leases

The Council leases out property and equipment under operating leases for the following purposes:
- for the provision of community services, such as tourism services.
- for economic development purposes to provide suitable affordable accommodaton 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 2010/11 totalled £447,475 (2009/10 £334,825)

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

	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Not later than one year	107	58	55
Later than one year and not later than five years	88	90	201
Later than five years	1,011	1,044	1,067
Total Operating Lease Payments	**1,206**	**1,192**	**1,323**

48. IMPAIRMENT LOSSES

During 2010/11, the Authority has recognised an impairment loss of £767k. The significant impairments include £429k to the Goldenstones Leisure Centre, £54k to the Museum of South Somerset, £54k to Gypsy Sites in Tintinhull, £105k to the Flagship Play Area and £58k to Public Conveniences in Ilminster.

The impairment losses have been charged to various service lines on the Comprehensive Income and Expenditure Statement.

49. TERMINATION BENEFITS

The Authority terminated the contracts of 15 employees in 2010/11, incurring liabilities of £354k (£1,254k in 2009/10). These officers were made redundant as part of the Authority's rationalisation of Services.

50. 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 that needs to be disclosed at the time that employees earn their future entitlement.

South Somerset District Council participates in the Local Government Pension Scheme for civilian 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.

Transactions Relating to Post-Employment Benefits

SSDC 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 SSDC 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 in the Statement of Movement in the General Fund Balance.

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 2009/10			Current Year 2010/11	
£'000	£'000		£'000	£'000
		Comprehensive Income and Expenditure Statement		
		Cost of Services:		
2,100		• Current service costs	2,958	
727		• Past service and curtailment costs	(10,019)	
	2,827			(7,061)
		Financing and Investment Income and Expenditure:		
5,345		• Interest Cost	6,586	
(2,796)		• Expected return on assets in the scheme	(4,267)	
	2,549			2,319
	5,376	**Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement**		**(4,742)**
		Other post employment benefit charged to the Comprehensive Income & Expenditure Statement		
	26,904	Actuarial gains and losses		(13,715)
	32,280	**Total post employment benefit charged to the Comprehensive Income and Expenditure Statement**		(18,457)
		Movement in Reserves Statement		
		Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the code		
		Actual amount charged against the General Fund Balance for pensions in the year:		
2,660		• Employer's contributions payable to scheme	2,275	
237		• Retirement benefits payable to pensioners	224	
	2,897			**2,499**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement is a loss of £13,715k (compared with actuarial losses of £26,904k in 2009/10

Assets and Liabilities in Relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2011 are as follows:

Reconciliation of Present Value of the scheme liabilities

Previous Year 2009/10		Current Year 2010/11
£'000		**£'000**
80,492	Opening Balance at 1 April	124,360
2,100	Current service cost	2,958
5,345	Interest cost	6,586
900	Contributions by scheme participants	843
39,250	Actuarial gains and losses	(13,755)
(4,217)	Benefits paid	(2,502)
0	Past service costs	(10,050)
727	Curtailment costs	31
(237)	Unfunded Pension Payments	(224)
124,360	**Closing balance at 31 March**	**108,247**

Reconciliation of Fair Value of Scheme Assets

Previous Year 2009/10		Current Year 2010/11
£'000		**£'000**
44,149	Opening balance at 1 April	58,634
2,796	Expected return on Scheme assets	4,267
12,346	Actuarial gains and losses	(40)
2,897	Contribution by the employer	2,499
900	Contributions by scheme participants	843
(4,454)	Benefits paid	(2,726)
0	Settlements	0
58,634	**Closing balance at 31 March**	**63,477**

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

Previous Year 2009/10		Current Year 2010/11
£'000		**£'000**
121,512	Present value of Funded Obligation	105,362
(58,634)	Fair Value of Assets in Scheme	(63,477)
62,878	**Net Liability**	41,885
2,848	Present Value of Unfunded Obligation	2,885
65,726	**Closing Balance at 31 March**	**44,770**

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.

The actual return on scheme assets in the year was £3,470,000. (2009/10: £15,143,000)

Scheme History

	2006/07 Restated	2007/08 Restated	2008/09	2009/10	2010/11
	£'000	£'000	£'000	£'000	£'000
Present value of liabilities in scheme	(89,970)	(86,276)	(80,492)	(124,360)	(108,247)
Fair value of assets in scheme	67,170	60,263	44,149	58,634	63,477
Surplus/(deficit) in the scheme	**(22,800)**	**(26,013)**	**(36,343)**	**(65,726)**	**(44,770)**

(Brackets represent liabilities on this page)

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total liability of £44,770,000 has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in an overall balance of £48,034,000. 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.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2012 is £1,888,000.

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 assumptions about mortality rates, salary levels, etc. The County Council Fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2011.

The principal assumptions used by the actuary have been:

31 March 2010		31 March 2011
3.9%	Rate of inflation *	2.7%
5.4%	Rate of general long-term increase in salaries	5.0%
3.9%	Rate of increase to pensions in payment	2.7%
3.9%	Rate of increase to deferred pensions	2.7%
5.5%	Discount rate	5.5%

* 31 March 2010 rate of inflation measured on RPI whereas 31 March 2011 rate of inflation measured on CPI.

Assumed life expectations from aged 65 (years) are:

	Males	Females
Current Pensioners	19.8	23.9
Future Pensioners (20 years from now)	21.9	25.8

An assumption has been made that 50% of retiring members will opt to increase their lump sums to the maximum allowed.

The expected return on assets is based on the long-term future expected return for each asset class at the beginning of the period. The following expected returns have been adopted:

Long-term rate as at 31 March 2010		Long-term rate as at 31 March 2011
7.8%	Equity investments	7.7%
4.5%	Government Bonds	4.4%
5.5%	Corporate Bonds	5.5%
6.9%	Property	6.8%
3.0%	Cash	3.0%

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 2010		% of total scheme as at 31 March 2011
72	Equity investments	74
7	Government Bonds	6
11	Corporate Bonds	12
8	Property	7
2	Cash	1
100		**100**

History of experience gains and losses
The actuarial gains identified as movements on the Pension Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011.

	2006/07 Restated	2007/08 Restated	2008/09	2009/10	2010/11
	%	%	%	%	%
Difference between expected and actual return on assets	5.4	(17.8)	(44.9)	21.1	(0.1)
Experience gains and losses on liabilities	0	(6.4)	0	0	3.3

51. CONTINGENT LIABILITIES

There is a potential environmental risk in the Birchfield Park area as part of the land is an old landfill site. There have been works to the site that could impact upon gas migration to adjoining properties. The site continues to be monitored and there is a bond in place with the developer to meet any liabilties resulting from the development of the road. However there remains a residual liability of £311,000 that falls on SSDC. A specific working group manages this risk within existing revenue and capital budgets.

In transferring employees to the Somerset Waste Partnership (SWP) South Somerset agreed a guarantee of last resort to the Somerset County Council Pension Fund for those employees transferred to May Gurney CIC. The actuarial valuation at the time assessed the maximum liability at £748,000. 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.

52. GROUP ACCOUNTS

The joint venture ‘Lufton 2000’ was set up between SSDC and Abbey Manor Developments Limited in 1999 with the purpose of purchasing and developing land at Lufton, Yeovil. SSDC and Abbey Manor Developments Limited each hold a 50% interest in Lufton 2000 and equally share profits or losses. A full copy of the accounts of Lufton 2000 may be obtained by phoning 01935 462462.

It is a requirement to prepare group accounts where the authority have interests in Joint Ventures, subject to the consideration of materiality. SSDC have concluded not to prepare group accounts due to the immateriality of the figures stated in the Lufton 2000 accounts.

Collection Fund Account

INCOME AND EXPENDITURE ACCOUNT for year ended 31 March 2011

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 2009/10 £'000		Note	**Current Year 2010/11 £'000**
	INCOME		
(78,049)	**Income from Council Tax**		(79,305)
	Transfers from General Fund		
(9,785)	- Council Tax Benefits		(10,069)
(35,352)	**Income Collectable from Business Ratepayers**		(35,789)
(123,186)	**TOTAL INCOME**		**(125,163)**
	EXPENDITURE		
	Precepts and Demands	1	
61,435	- Somerset County Council		61,668
9,644	- Avon & Somerset Police Authority		10,087
4,137	- Devon & Somerset Fire & Rescue Authority		4,308
12,295	- South Somerset District Council (including Parishes)		12,683
	Distribution of previous year's Collection Fund surplus	3	
296	- Somerset County Council		(109)
46	- Avon & Somerset Policy Authority		(17)
20	- Devon & Somerset Fire & Rescue Authority		(7)
58	- South Somerset District Council		(22)
	Business Rates		
35,123	- Payment to National Pool		35,562
228	- Costs of Collection		227
	Council Tax		
174	- Provision for Council Tax Non-Collection		314
75	- Bad debts written off		108
123,531	**TOTAL EXPENDITURE**		**124,802**
345	**(SURPLUS)/DEFICIT FOR YEAR** to be deducted from balances		(362)
(203)	**Balances at Start of Year**		142
142	**Balances at End of Year**		**(220)**

(Brackets represent income or liabilities)

Notes to The Collection Fund

INTRODUCTION

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, Avon & Somerset Police Authority, 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, Avon & Somerset Police Authority, 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 2009/10.

Tax Base						
Previous Year 2009/10					Current Year 2010/11	
Effective No of dwellings	Band D Equivalent	Weighting	Tax Band	Property Value (at April 1991)	Effective No of dwellings	Band D Equivalent
21	11	5/9ths	A-	disabled band	16	9
7,952	5,302	6/9ths	A	up to £40,000	7,880	5,253
18,620	14,483	7/9ths	B	between £40,001 & £52,000	18,716	14,557
13,452	11,957	8/9ths	C	between £52,001 & £68,000	13,556	12,050
10,160	10,160	1	D	between £68,001 & £88,000	10,121	10,121
8,026	9,810	11/9ths	E	between £88,001 & £120,000	8,091	9,888
4,120	5,952	13/9ths	F	between £120,001 & £160,000	4,149	5,993
1,571	2,618	15/9ths	G	between £160,001 & £320,000	1,589	2,648
132	263	18/9ths	H	Over £320,000	134	269
64,054	60,556				64,252	60,788
	(754)			Less adjustment for non-collection and banding reductions		(758)
	59,802			Council Tax Base		60,030

Details of the precepts are shown below

Previous Year 2009/10	Precepting Authorities	Current Year 2010/11
£61,434,583	Somerset County Council	£61,668,399
£9,643,929	Avon & Somerset Police Authority	£10,086,878
£4,137,191	Devon & Somerset Fire & Rescue Authority	£4,308,438
£8,837,541	District Council's own requirement	£9,048,580
£3,457,445	Total of Parish Precepts & Levies	£3,620,880

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

Previous Year 2009/10 £	**Council Tax levy at Band D**	**Current Year 2010/11 £**
1,027.30	Somerset County Council	1,027.30
161.26	Avon & Somerset Police Authority	168.03
69.18	Devon & Somerset Fire & Rescue South	71.77
147.78	Somerset District Council	150.74
1,405.52		1,417.84
57.59	Add Town & Parish Councils (average)	60.32
1,463.11	**Average Council Tax Levy at Band D**	**1,478.16**

2. 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 2009/10	Precepting Authorities	Current Year 2010/11
£87,041,848	**National Non-Domestic Rates (NNDR)** Rateable value at 31st March	£111,521,352
 48.5p 48.1p	NNDR rate poundage • National Multiplier • Small Business multiplier	 41.4p 40.7p

3. CONTRIBUTION TOWARDS PREVIOUS YEAR'S SURPLUS

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.

INDEPENDENT AUDITOR'S REPORT TO SOUTH SOMERSET DISTRICT COUNCIL

Opinion on the Council's accounting statements

I have audited the accounting statements of South Somerset District Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the *Movements in Reserves Statement*, the *Comprehensive Income and Expenditure Statement*, the *Balance Sheet,* the *Cash Flow Statement* and *Collection Fund* and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of South Somerset District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibiliites of Auditors and Audited Boides published by the Audit Commission in March 2010.

Respective responsibilities of the Assistant Director (Finance and Corporate Services) and auditor

As explained more fully in the Statement of the Assistant Director's (Finance and Corporate Services) Responsibilities, the Assistant Director (Finance and Corporate Resources) is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

Scope of the audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatements, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the accounting statements. I read all the information in the explanatory foreward to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on the accounting statements

In my opinion the accounting statements:
- give a true and fair view of the state of South Somerset District Council's affairs as at 31 March 2011 and of its outcome and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the Unitied Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statement.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Conclusion on the Council's arrangement for securing economy, efficiency and effectiveness in the use of resources

Council's responsibilities

The Council is responsible for purtting in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Council has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined that these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in it use of resources for the year ended 31 March 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in it use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, South Somerset District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

Certificate

I certify that I have completed the audit of accounts of South Somerset District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Brian Bethell
Officer of the Audit Commission

Date: 22 September 2011

Audit Commission
Westward House
Lime Kiln Close
Stoke Gifford
Bristol BS34 8SR

Annual Governance Statement

PART 1 – SCOPE OF RESPONSIBILITY

SSDC is responsible for ensuring that:

- its business is conducted in accordance with the law and proper standards;
- public money is safeguarded and properly accounted for;
- public money is used economically, efficiently and effectively.
- there is a sound system of governance incorporating the system of internal control.

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

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

SSDC has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government". A copy of the code can be obtained on request. This statement explains how SSDC has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on annual governance.

In addition to this CIPFA has issued its "Statement on the Role of the Chief Financial Officer in Local Government (2010.)" The Annual Governance Statement should therefore reflect compliance of the statement for reporting purposes.

PART 2 – THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

- identify the risks and prioritise the actions to achieving policies, aims and objectives;
- evaluate the likelihood of those risks occurring;
- assessing the impact should those risks occur;
- managing the risks efficiently, effectively and economically.

The governance framework has been in place at SSDC for the year ended 31 March 2011 and up to the date of approval of the annual report and statement of accounts.

PART 3 – THE GOVERNANCE ENVIRONMENT

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

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

- The Corporate Plan sets out the priority areas for South Somerset District Council and links these priorities to the Sustainable Community Strategy targets.

- The Sustainable Community Strategy has been produced through the LSP (South Somerset Together) in consultation with our partners and sets out the long-term goals for the community and the key issues that need to be addressed in the future.

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

- Guidance has been produced to facilitate partnership working and a Partnership Register published and updated annually. The register has been reviewed by the Scrutiny Committee and recommendations made to the District Executive in April 2011.

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

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

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

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

- An arrangement with East Devon District Council has been entered into to share a Chief Executive through a Section 113 agreement outlining the detail of function and role.

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

- Portfolio Holders produce annual Portfolio Holder Statements outlining achievements for the previous year and targets for the following year.

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

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

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

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

- The Council maintains an Internal Audit Service through the South West Audit Partnership (SWAP) that operates to standards specified by the Institute of Internal Auditors (IIA) and the Chartered Institute of Public Finance Accountants (CIPFA).

- The self-assessment questionnaire completed on ethical governance will be used to assist in the forming of a voluntary code once the Standards Committee is abolished.

- Communication through staff awareness sessions, Insite, and Team Brief.

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

- The Council has adopted a Constitution that sets out how it operates, how decisions are taken and the procedures to follow.
- The District Executive facilitates decision-making and its Sub Committees, four Area Committees and meetings are open to the public except where personal or confidential matters are disclosed.
- Portfolio Holders can make decisions under delegated authority and these are fully publicised. Senior officers can also take decisions under delegated authority.
- Regulation Committee determines planning applications that are referred from Area Committees.
- The Council publishes a Forward Plan that provides details of key decisions to be made by the Council and its committees.
- Area Committees also hold regular workshops where local issues are identified and discussed; Area Action Plans are then established to target specific needs.
- The Council has approved a Risk Management Policy that identifies how risks are managed.
- Responsible officers are required to maintain their part of the Risk Register.
- All Assistant Directors have the following included within their job descriptions, “Lead the service(s) in a full and comprehensive understanding of risk, risk assessment and risk management as it relates to the operational areas relevant to the service(s).”
- Any Internal Audit actions showing the highest risk score of 5 will be outlined annually and monitored within the Annual Governance Statement.

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

- The Council looks to develop skills on a continuing basis to improve performance both of officers and members through the Staff Development and Review process and the use of training and development plans.
- Succession planning encourages participation and development for members and officers.
- Comprehensive member training and development programme recognised through attainment of the “Charter for Member Development.”
- An induction programme is in place for all new staff.
- Clear job descriptions and personal specifications are in place for all roles.

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

- Area Committees ensure further local accountability and local access.
- Budget consultation has been carried out with “hard to reach” groups through Somerset Racial Equality Council.
- Stakeholder input into the Sustainable Community Strategy and Corporate Plan.
- Area action plans are in place to deliver local priorities.
- A summarised Statement of Accounts is sent to every household explaining the key financial areas to the public.

PART 4 – REVIEW OF EFFECTIVENESS

SSDC has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of SWAP, the Corporate Governance Group, Management Board and the Corporate Performance Team, who have responsibility for the development and maintenance of the governance environment.

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

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

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

- The Audit Committee reviews the Annual Statement of Accounts, the Review of the Effectiveness of Internal Audit, and the Annual Governance Statement. It monitors the performance of internal audit quarterly and agrees the Internal and External Audit Plans. It reviews specific parts of the Constitution and makes recommendations on any amendments to full Council. It also has a call in role for any service that receives a “partial” or “no assurance” audit opinion and monitors the action plans are completed through regular reports from the Service Manager and Assistant Director.

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

- Internal Audit (SWAP) is subject to regular inspection by the Council’s external auditors who place reliance on the work carried out by Internal Audit.

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

- The Council’s Financial Procedure Rules are kept under continuous review and revised periodically – the last review was approved in April 2011.

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

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

In its review the Authority has assessed its overall governance arrangements as reasonable. This has been assessed through a review of SSDC’s governance arrangements.

PART 5 – SIGNIFICANT GOVERNANCE ISSUES

A number of actions are planned to strengthen the control framework and will be monitored by the Audit Committee during 2011/12:

- The framework put in place for S106 contributions is complete but it will be monitored in 2011/12 for effectiveness;
- Provide further training for staff on Information Technology Policies to ensure all staff are aware and comply with the policies;
- Introduce training and awareness refreshers for the Corporate Performance Team on Risk, Local Code of Corporate Governance, Staff Appraisals, and best practice in Service Planning;;
- To consider and introduce/incorporate a policy and training where necessary for staff and elected members on the Bribery Act 2010.
- To introduce a Voluntary Code of Conduct for elected members following the abolition of the Standards Committee.
- Complete the Fraud and Data Strategy to link all anti-fraud work.

The Authority is satisfied that these steps will address the issues highlighted in 2010/11 and further improve governance arrangements at SSDC.

Signed on behalf of SSDC:

Date: 23rd June 2011

Donna Parham
Assistant Director – Finance and Corporate Services

Mark Williams
Chief Executive

Cllr Ric Pallister
Leader

Glossary of Terms

Local Government, in common with many specialised activities, has developed over the years its own unique set of terms and phrases.

This glossary helps to identify some of those terms and phrases (more often than not abbreviated in common usage to initial letters only) which will be found in this statement.

Accruals
are one of the main accounting concepts and ensures that income and expenditure are shown in the accounting period that they are earned or incurred, not as money is received or paid.

Accumulated Absences Account
is the account that holds the differences between the amounts debited or credited to the Comprehensive Income and Expenditure Statement in accordance with the Code and the amounts debited and credited to the General Fund in accordance with the statutory regulations relating to accruals made for the cost of holiday entitlements earned by employees but not yet taken before the year end

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.

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.

Assets under Construction
are assets that are currently being developed and constructed and are yet to be completed. They are valued at cost.

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 summarising the Council's assets, liabilities and other balances at the end of each accounting period.

Best Value
is the Government's legislative framework for ensuring that local authorities have set up arrangements to secure sustained improvement in quality and cost of local service provision. It imposes two new duties: the Duty of Best Value and the Duty to Consult. The onus is on the local authorities to demonstrate they are achieving Best Value rather than on Central Government to prescribe it. It replaced Compulsory Competitive Tendering legislation on 1 April 2000.

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

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

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

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

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

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

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

Capital Programme
is a financial summary of the capital schemes that South Somerset intends to carry out over a specified time period.

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

Carry Forwards
are unspent revenue budget approvals which the district executive committee is able to transfer into the following financial year.

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

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

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. Revenue Support Grant (RSG) , Housing and Planning Delivery Grant (HPDG) and Area Based Grant (ABG) – RSG makes up the difference between expenditure at the formula spending share and the amount which would be collected in council tax for that level of expenditure and the amount of non domestic rate redistributed. ABG is a general grant allocated directly to local authorities as additional revenue funding to areas. HPDG is to reward local authorities for improved delivery of housing and other planning outcomes as part of their strategic place shaping role and to provide more support to communities and local councils who are actively seeking to deliver new homes.
- Specific service grants –grants 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, non-domestic rates and residual community charge.

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

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

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

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

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

Corporate and Democratic Core
comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

Creditors
are amounts of money SSDC owes to others for goods and services that they have supplied in the accounting period but not paid for.

Debtors
are amounts of money others owe to SSDC for goods and services that they have received but have not paid for by the end of the accounting period.

Depreciation
is a charge made to the revenue account each year that reflects the reduction in the value of land, property, plant, ICT equipment and machinery used to deliver services.

Derecognition
is the term used for the removal of a financial instrument from the balance sheet. This will normally occur when the contractual rights to the cash flows arising from the instrument expire or are transferred.

Earmarked Revenue Reserves
are amounts set aside from revenue to meet particular spending needs, including funding capital projects.

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

Effective Interest Rate
is the rate of interest that will discount all the cash flows that will take place throughout the expected life of a financial instrument down to the fair value of the instrument calculated at initial measurement.

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

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

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

Fair Value (Financial Instruments)
is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. If available, this will be a published price quotation in an active market; otherwise, alternative valuation techniques will be employed.

Fair Value (Tangible Assets)
is the price at which an asset could be exchanged in an arm's-length transaction less, where applicable, any grants receivable towards the purchase of use of that asset.

Family Group
is a selection of similar districts which the Council has been externally compared with.

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 soft 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.

Government Grants
are made by the Government towards either revenue or capital expenditure to help with the cost of providing services and capital projects. Some government grants have restrictions on how they may be used whilst others are general.

Housing Benefits
is the national system for giving financial assistance to individuals towards certain housing costs. SSDC administers the scheme for South Somerset residents. The Government subsidises the cost of the service.

Impairment
is the reduction in the value of a non-current asset as shown in the balance sheet to reflect its true value.

Income
is the amount which the Council receives, or expects to receive, from any source; service committee revenue income includes grants, sales, rents and fees and charges.

Infrastructure
are those assets which do not have a realisable value and include roads and footpaths.

Intangible Fixed 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.

Investment Property
is property held exclusively for revenue generation of for the capital gains that the assets is expected to generate.

Liability
must be included in the financial statements when SSDC owes money to others. There are different types of liability: -

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

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

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

Local Authority Business Growth Initiative (LABGI) Scheme Grant
is a grant awarded to the Council by the Government. The purpose of this grant was to provide support towards expenditure lawfully incurred or to be incurred by the Council. There is therefore no restriction on its use.

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

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

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

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

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

National Non-Domestic Rate (NNDR) Income (also known as Business Rates)
Business Rates are collected locally, pooled nationally and then redistributed to all local authorities on a population basis.

NILO
stands for National Investment and Loans Office. It is a Central Government department and includes the PWLB. (Public Works Loans Board)

Net Book Value
is the Balance Sheet amount of non-current assets and represents their historical cost or current replacement value less cumulative depreciation provisions.

Net Current Replacement Cost
is the cost of replacing an asset in its existing condition and use.

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

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

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

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

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

Operating Leases
are all leases which are not finance leases.

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

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

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

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

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

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

Related Parties
are when at any time during the financial period:-

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

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

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

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

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

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

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

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

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

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

Soft Loans
are loans made by the authority at less than market interest rates for policy reasons rather than for treasury management purposes. At SSDC these comprise car loans, bike loans and loans for learning which are made on an interest-free basis to certain employees. These are held at fair value, which is calculated as the present value of all future cash receipts discounted using the prevailing market rate of interest.

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

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