

South Somerset District Council

Notice of Meeting



Audit Committee

Making a difference where it counts

Thursday 22nd September 2011

10.00 a.m.

**Main Committee Room,
Council Offices,
Brympton Way,
Yeovil,
Somerset BA20 2HT**

The public and press are welcome to attend.

Disabled Access is available at this meeting venue.



If you would like any further information on the items to be discussed, please ring the Agenda Co-ordinator, **Andrew Blackburn** on Yeovil (01935) 462462
email: andrew.blackburn@southsomerset.gov.uk

This Agenda was issued on Wednesday, 14th September 2011

Ian Clarke, Assistant Director (Legal & Corporate Services)



2007-2008
*Neighbourhood and
Community Champions:
The Role of Elected Members*

2006-2007
*Improving Rural Services
Empowering Communities*

2005-2006
Getting Closer to Communities

This information is also available on our
website: www.southsomerset.gov.uk



INVESTOR IN PEOPLE

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Audit Committee Membership

Chairman Derek Yeomans
Vice-Chairman Ian Martin

John Calvert Roy Mills
John Dyke John Richardson
Marcus Fysh Colin Winder
Tony Lock

South Somerset District Council – Corporate Aims

Our key aims are: (all equal)

- Increase economic vitality and prosperity
- Enhance the environment, address and adapt to climate change
- Improve the housing, health and well-being of our citizens
- Ensure safe, sustainable and cohesive communities
- Deliver well managed, cost effective services valued by our customers

Members' Questions on Reports prior to the Meeting

Members of the Committee are requested to contact report authors on points of clarification prior to the Committee meeting.

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Information for the Public

The purpose of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance, to the extent that it affects the authority's exposure to risk and weakens the control environment and to oversee the financial reporting process.

The Audit Committee should review the Code of Corporate Governance seeking assurance where appropriate from the Executive or referring matters to management on the scrutiny function.

The terms of reference of the Audit Committee are:

Internal Audit Activity

1. To approve the Internal Audit Charter and annual Internal Audit Plan;
2. To receive quarterly summaries of Internal Audit reports and seek assurance from management that action has been taken;
3. To receive an annual summary report and opinion, and consider the level of assurance it provides on the council's governance arrangements;
4. To monitor the action plans for Internal Audit reports assessed as "partial" or "no assurance;"
5. To consider specific internal audit reports as requested by the Head of Internal Audit, and monitor the implementation of agreed management actions;
6. To receive an annual report to review the effectiveness of internal audit to ensure compliance with statutory requirements and the level of assurance it provides on the council's governance arrangements;

External Audit Activity

7. To consider and note the annual external Audit Plan and Fees;
8. To consider the reports of external audit including the Annual Audit Letter and seek assurance from management that action has been taken;

Regulatory Framework

9. To consider the effectiveness of SSDC's risk management arrangements, the control environment and associated anti-fraud and corruption arrangements and seek assurance from management that action is being taken;
 10. To review the Annual Governance Statement (AGS) and monitor associated action plans;
 11. To review the Local Code of Corporate Governance and ensure it reflects best governance practice. This will include regular reviews of part of the Council's Constitution and an overview of risk management;
 12. To receive reports from management on the promotion of good corporate governance;
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Financial Management and Accounts

13. To review and approve the annual Statement of Accounts, external auditor's opinion and reports to members and monitor management action in response to issues raised;
14. To provide a scrutiny role in Treasury Management matters including regular monitoring of treasury activity and practices. The committee will also review and recommend the Annual Treasury Management Strategy Statement and Investment Strategy, MRP Strategy, and Prudential Indicators to Council;
15. To review and recommend to Council changes to Financial Procedure Rules and Procurement Procedure Rules;

Overall Governance

16. The Audit Committee can request of the Assistant Director – Finance and Corporate Services (S151 Officer), the Assistant Director – Legal and Corporate Services (the Monitoring Officer), or the Chief Executive (Head of Paid Services) a report (including an independent review) on any matter covered within these Terms of Reference;
17. The Audit Committee will request action through District Executive if any issue remains unresolved;
18. The Audit Committee will report to each full Council a summary of its activities.

Meetings of the Audit Committee are held monthly including at least one meeting with the Council's external auditor, although in practice the external auditor attends more frequently.

Agendas and minutes of this committee are published on the Council's website at www.southsomerset.gov.uk

The Council's Constitution is also on the web site and available for inspection in council offices.

Further information can be obtained by contacting the agenda co-ordinator named on the front page.

Audit Committee

Thursday 22nd September 2011

Agenda

Preliminary Items

1. To approve as a correct record the Minutes of the previous meeting held on 25th August 2011
2. Apologies for Absence
3. Declarations of Interest

In accordance with the Council's Code of Conduct, which includes all the provisions of the statutory Model Code of Conduct, members are asked to declare any personal interests (and whether or not such an interest is "prejudicial") in any matter on the agenda for this meeting. A personal interest is defined in paragraph 8 of the Code and a prejudicial interest is defined in paragraph 10.

4. Public Question Time

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Items for Discussion

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PLEASE NOTE

One of the items on this agenda (item 7) asks members to approve the 2010/11 Annual Statement of Accounts, which is a complex document and has been circulated separately with the agenda. Members are reminded to bring their copy of the document with them to the meeting.

If members wish to clarify any points before the meeting regarding the Annual Statement of Accounts, please contact Amanda Card, Finance Manager (01935 462542 or e-mail amanda.card@southsomerset.gov.uk).

Audit Committee – 22nd September 2011

5. Register of Staff Interests – Audit Action Plan

Strategic Director: Mark Williams, Chief Executive Officer
Assistant Director: Ian Clarke (Legal and Corporate Services)
Lead Officer: Ian Clarke (Legal and Corporate Services)
Contact Details: ian.clarke@southsomerset.gov.uk or 01935 462184

Purpose of the Report

This report has been requested by the Audit Committee to advise members of the proposed actions to be taken following the internal audit of this area which reported in February 2011 to ensure that the council has procedures to guide staff on the need to register and have approval for any interests they have that may impact upon their duties as an employee.

Recommendation

That members note the action being proposed as set out in the attached appendix (pages 3 to 4) and that a further progress report is made to the November meeting of this Committee.

Introduction

The South West Audit Partnership (SWAP) undertook an audit of the adequacy of controls and procedures in place for the Register of Interests for Staff across the Council as part of the 2010-11 audit plan work. Whilst the audit review did not identify any significant corporate risks or identify any significant findings they were only able to offer Partial Assurance due to the fact that some risks were deemed not well managed and it was felt that systems required improvement to guarantee the achievement of objectives. However the audit review did acknowledge that the Council fully complied with the statutory requirements relating to this area and that there was a robust procedure in place for dealing with any complaints.

Next Steps

The audit review identified 3 areas of concern, which are reflected in the action plan attached to this report. Members will note that one of the three agreed actions has already been implemented. The target date for the other actions is 31st December 2011 and work has already commenced on these so that is envisaged that all actions will have been largely completed by the time the Audit Committee meets in November 2011.

It is likely that a service-based system will be the preferred option as there is no easily identifiable resource centrally to manage the process for the council overall. To ensure there is a corporate overview, managers would be required to send their "year end" records to the Monitoring Officer for checking both as to content and consistency. This will also enable the Monitoring Officer to draw attention to or otherwise deal with any issues that the records may reveal.

Financial Implications

Any that there are can be met from existing resources.

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Legal Implications

There are no specific legal implications resulting from the subject matter of this report as the statutory requirements contained in the Local Government Act 2000 are already being fully complied with by the council.

Carbon Emissions & Adapting to Climate Change Implications (NI188)

There are no specific environmental implications arising from the subject matter of this report.

Equalities and Diversity Impact

There are no specific equality or diversity implications arising from the subject matter of this report as all staff are subject to the requirements set out in the code of conduct.

Background Papers: *Internal Audit Report - 11th February 2011*

APPENDIX Register of Interests - Staff

Final Action Plan

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
Objective: There are robust and up to date policies and procedures to guide Staff on the need to register and have approval for any interests they have that may impact on their duties as an employee					
Risk: The reputation of the Council is damaged as a result of accusations being made against staff that they were unfairly influenced in their decisions					
1.1a Staff are not reminded of their requirements to record all Interests	I recommend that the Assistant Director (Legal & Corporate Services) ensures that the Policy for staff to record personal interests is enforced through a robust procedure; Every Service should maintain a record and have at least annual reminders issued to all staff.	3 - Medium	Agreed. It is proposed that there be twice yearly reminders to staff. A record template will be produced to be used by all services. A clear audit trail will be established between actions of staff in notifying management and action of management in recording notifications.	Assistant Director (Legal & Corporate Services)	31 st December 2011

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
1.1b	I recommend that the HR Manager consider adding the Staff Code of Conduct to the Induction process and briefly highlighting the need to declare other interests. It would be good practice to introduce a declaration process at induction where staff sign to state that they do not have other interests.	3 - Medium	The Code of Conduct is included in the New Starter Induction Pack, which is sent out to new starters and the manager signs to confirm they have been through the induction pack with the member of staff within one month of the employee starting.	HR Manager	Completed
1.2a There are no records of staff declared interests	I recommend that the Monitoring Officer considers an improvement to the system of recording staff interests. It is recognised that a corporate record may be difficult to maintain and it may be more practical for records to be held at service level.	3 - Medium	At this stage due to resource implications it is proposed that a service based system model be established with annual oversight of the records to ensure consistency and accuracy of date capture.	Assistant Director (Legal & Corporate Services)	31 st December 2011

Audit Committee – 22nd September 2011

6. 2010/11 Annual Governance Report

Strategic Director: Mark Williams, Chief Executive
Assistant Director: Donna Parham (Finance and Corporate Services)
Lead Officer: Donna Parham (Finance and Corporate Services)
Contact Details: donna.parham@southsomerset.gov.uk or 01935 462225

Purpose of the Report

This report introduces the Audit Commission's Annual Governance Report for 2010/11 (attached at pages 7 to 34).

Recommendations

- (1) That the Audit Committee considers the matters raised in the report.
- (2) Note the draft Auditor's report as outlined in Appendix 1 and amendments made to the Statement of Accounts in Appendix 2.
- (3) Note the draft Auditor's report as outlined in Appendix 3 and support management's decision not to adjust the financial statements.
- (4) Note that the Value for Money criteria has been met.
- (5) Agree the recommended action in Appendix 5 and note that it has been actioned.
- (6) Approve that the Assistant Director – Finance and Corporate Services signs the representation letter outlined on pages 35 – 36 on behalf of SSDC.

Background

The Audit Commission as part of their work report on the overall financial statements and governance of South Somerset District Council. The review of these reports is included within the remit of the Audit Committee under its terms of reference as follows:

"To consider the reports of external audit including the Annual Audit Letter and seek assurance from management that action has been taken"

"To review and approve the annual Statement of Accounts, external auditor's opinion and reports to members and monitor management action in response to issues raised"

The Report

The report summarises the findings from the 2010/11 work of the Audit Commission relating to governance. It covers the following areas:

The Statement of Accounts/Annual Governance Statement

The Audit Commission report gives an unqualified opinion on the financial statements for 2010/11. It also outlines that in all material respects the Council has complied with the requirements of IFRS (International Financial Reporting Standards), which were introduced for the 2010/11 accounts. This was seen as the key risk when the Audit Manager planned the audit.

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There are some areas under accounting practices, policies, estimates and financial disclosures that the Auditor will discuss with the committee.

The report also outlines a weakness in internal control where at the year-end there was a backlog of seven weeks in the processing of amendments from the Valuation Office into the council tax system. The reason for delay at the time was that there was a new post holder in place. As at the 6th September all amendments were up to date to the 29th August and the aim is to continue to complete these within one week of receipt.

There are some errors that have been found in the statements which, have been agreed and amended (See appendix 2)

However, two errors have not been amended:

- One invoice has not been accrued for within the accounts understating expenditure and overstating the value of general fund balances by £56k.
- The authority has treated a lease of land to another organisation of £3,000 per annum for 125 years as an operating rather than a finance lease

In the letter of representation I have outlined that in my opinion one or both of these amendments would not materially affect the statements nor necessarily assist the reader in understanding the statements. The time that would be required to make these amendments would also outweigh the benefit in making those amendments.

Value for Money

The Audit Commission is required to make a statement on whether the authority has made arrangements for securing economy, efficiency and effectiveness in its use of resources. This is now measured by two criteria as follows:

- Financial resilience;
- Securing economy efficiency and effectiveness.

The Audit Commission has assessed arrangements at SSDC meet the criteria.

Peter Lappin, the Audit Manager from the Audit Commission will be attending the meeting.

Financial Implications

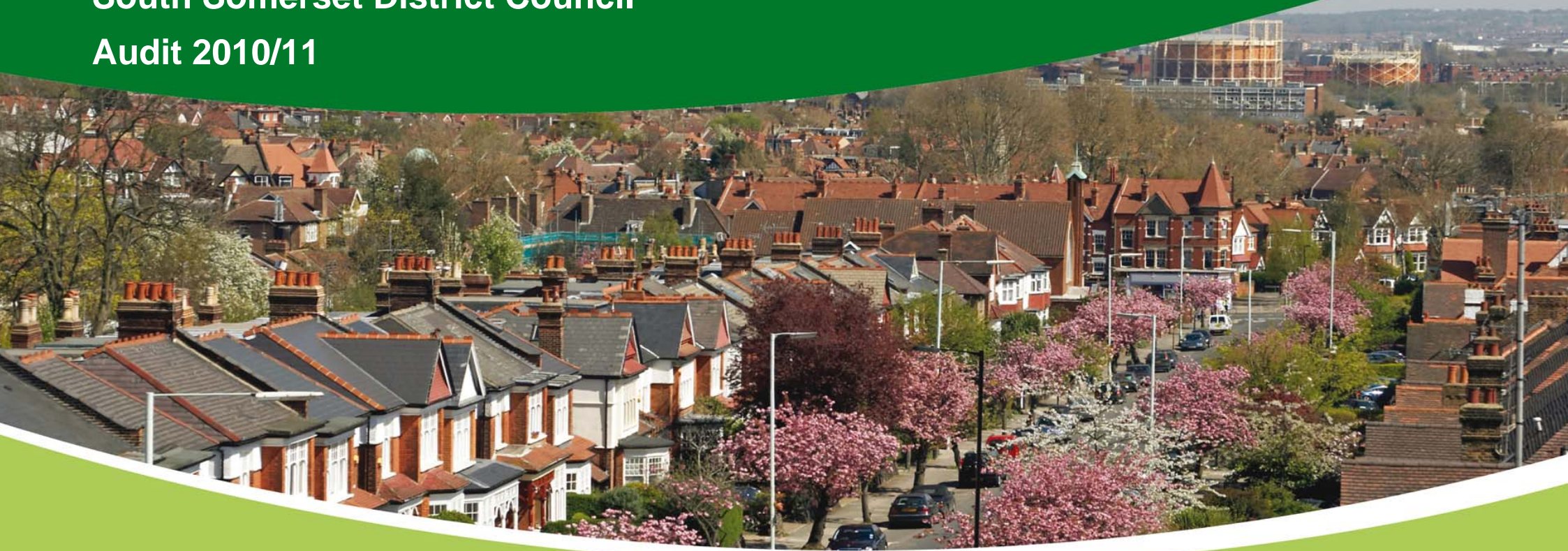
There are no financial implications associated with these recommendations.

Background Papers: *Audit Commission Annual Governance Report 2010/11*
2010/11 Annual Statement of Accounts

Annual governance report

South Somerset District Council

Audit 2010/11



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Traffic light explanation

Red  Amber  Green 

Key messages

This report summarises the findings from the 2010/11 audit. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

	Our findings
Unqualified audit opinion	●
Proper arrangements to secure value for money	●

Audit opinion and financial statements

- I intend to issue an unqualified opinion.
- There are no material adjustments to the comprehensive income and expenditure statement or to the balance sheet arising from my audit.

Value for money

- I am satisfied that the Council has proper arrangements in place to secure value for money.

Before I complete my audit

I confirm to you

My report includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.

Independence

I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence. I can also confirm there were no relationships resulting in a threat to independence, objectivity and integrity.

The Audit Commission's Audit Practice has not undertaken any non-audit work for the Council during 2010/11.

I ask you to confirm to me

I ask the audit committee to:

- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
 - approve the letter of representation, provided alongside this report, on behalf of the Council before I issue my opinion and conclusion; and
 - agree your response to the proposed action plan (Appendix 5).
-

Financial statements

Opinion on the financial statements

I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft report.

Errors in the financial statements

There were no material uncorrected errors identified as a result of our audit.

Appendix 2 details amended errors identified that are not trivial.

Appendix 3 details non trivial errors which officers have not amended in the accounts.

Financial statements

The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As Council members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit.

Key audit risk and our findings

Key audit risk	Finding
1. The change in accounting standards to International Financial Reporting Standards (IFRS).	The change to IFRS has created additional work for the Council's finance team. Based on the preparatory work that the Council had carried out in January and February 2011 I had already identified accounting entries that the Council needed to revisit including the accrual for employee absences and how government grants had been treated. In all material respects the Council has complied with the requirements of IFRS. However, there are some residual matters arising which are detailed later in this report.

Financial statements

Weaknesses in internal control

I reported the results of my review of the financial controls to the Audit Committee at its meeting in June 2011. There were two weaknesses that I had identified and I made two recommendations:

- All budget holders should explain the action that is being taken to recover debts to comply with the Council's financial procedure.
- The Council should complete the exercise to check the validity of single person discounts.

The Council has taken the following action which has addressed my recommendations:

- In May 2011 the Council revised its financial procedures. The Council has reviewed its arrangements for debt recovery and this responsibility has been brought into financial services.
- The work has been completed where recipients of the discount are not also receiving benefits. There will be a review of benefit cases where no reply has been received.

These weaknesses are only those I identified during the course of the audit that are relevant to preparing the financial statements. The weaknesses reported here are not considered to be significant, but are reported to assist the Council to strengthen its internal control arrangements. I am not expressing an opinion on the overall effectiveness of internal control.

Furthermore there is one issue that has come to my attention during my audit of the financial statements in July and August included in the table below.

Internal control issues and our findings

Description of weakness	Potential effect	Management action
1. There is a backlog of up to 7 weeks in the processing of amendments from the Valuation Office into the Council Tax system.	The Council Tax system may not be fully up to date to provide an accurate position at the end of the financial year.	The Council has addressed this issue. Amendments are now being processed within one week of receipt from the Valuation Office.

Recommendation

R1 The Council should process amendments from the Valuation Office in a timely way.

Financial statements

Quality of your financial statements

I consider aspects of your accounting practices, accounting policies, accounting estimates and financial statements disclosures.

These are the issues I want to raise with you.

Accounting practices, policies, estimates and financial closures

Issue	Findings and recommendations
1. In 2008/09 the Council agreed a schedule of instalments totalling £7m from a developer over 3 years for the grant of an easement (the construction of a road) at Birchfield. The Council had accounted for the instalments in the year of receipt in its financial statements. This was because it was not absolutely clear that all conditions had been met.	The Council has agreed that following a review of the nature of the arrangement it was more appropriate to have recognised the arrangement as a deferred capital receipt from 2008/09 and then write down the debtor as instalments were received. This assessment was based on the fact that the developer had been meeting its commitments and that there were definitely no conditions attached to the agreement. The final instalment of £2.5million was received on 1 July 2011. The Council has adjusted its accounts retrospectively. i.e. it has included a prior period adjustment.
2. The Government announcement that future pension increases will be based on the Consumer Price Index rather than the higher Retail Price Index has reduced the pension liabilities of local government. Similar to other local authorities, South Somerset had included the credit from past service costs of £10m in non distributed costs in the Consolidated Income and Expenditure Statement.	The reduction of the Council's pension liabilities is an exceptional item and the Council has agreed to separately disclose the item on the face of its Consolidated Income and Expenditure Statement. This should help explain the significant variance in the financial statements.

Issue	Findings and recommendations
<p>3. There was an invoice for £56K (£55,895) for services delivered before 31 March 2011, which was omitted from the accounts for 2010/11. Expenditure for 2010/11 is understated by £56K and the General Fund balance is overstated by the same amount.</p>	<p>The project which was being paid for from the leisure budget was passed to property services to manage. When the property services manager completed his year end return for accruals he did not include it as it was not from his budget. However the Leisure services manager did not know that the job had been completed before the year end. Management has confirmed that there are not any similar projects and this situation is unlikely to occur with other budgets. Management does not wish to amend the accounts. The council needs to ensure that in future these types of arrangements (where the project is not managed by the budget holder) receive more scrutiny in the close down process.</p>
<p>3. The balance sheet shows £40.8m of usable reserves and the reference to Note 30 showed the capital receipts reserve of £31.6m.</p>	<p>The Council accepted my recommendation to improve the disclosure of the analysis of usable reserves to include the General Fund Balance and capital grants unapplied. Note 30 now shows all usable reserves and reconciles to the figure in the balance sheet.</p>

Letter of representation

Before I issue my opinion, auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements. [The draft Letter of Representation is attached in a separate document.](#)

Value for money

I am required to conclude whether the Council put in place proper corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion.

I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against two criteria specified by the Audit Commission. My conclusion on each of the two areas is set out below.

I intend to issue an unqualified conclusion stating that the Council had proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

Value for money criteria and our findings

Criterion	Findings
<p>1. Financial resilience</p> <p>The organisation has proper arrangements in place to secure financial resilience.</p> <p>Focus for 2010/11:</p> <p>The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p>	<p>The Council's general fund balances of £3.9m at 31 March 2011 are well above its minimum target balances and higher than the forecast at the beginning of 2010/11 when the budget was set. However, the Council faces financial challenges with significant reductions in Government revenue grants in 2011/12 and 2012/13.</p> <p>There is still a significant gap between future revenue streams and current services. The Council has begun a fundamental review of what it can afford so that Members take the important decisions to underpin the budget setting for 2012/13 and future years.</p>

Criterion

Findings

The Government reduced the Council's revenue grants by £1.4m (15.1%) for 2011/12 and a further £0.9m (11.9%) in 2012/13. In its medium term financial plan (District Executive 3 February 2011) the Council set out to use balances and reserves to support its revenue expenditure in 2011/12. The plan forecasted a reduction in the general fund balance from £3.3m to £2.07m at 31 March 2012, just above the minimum balance determined by the Council of £1.83m. The Council has since reassessed the minimum balance and increased it to £2.19m. The Council's planned use of these reserves in 2011/12 has allowed it more time to take the decisions on its services ready for its budgets in 2012/13.

In addition, the Council planned to reduce revenue reserves from £1.8m at 31 March 2011 to £0.8m at 31 March 2012.

In 2010/11 there was an underspend of on the Council's budget of £0.79m which has increased the general fund balance at 31 March 2011 to £3.9m, of which £0.8m has been allocated to specific purposes (area committees and economic development).

For 2011/12 the Council is currently reporting a forecast overspend on its revenue budget of £0.6m taking the unallocated general fund balance to £2.5m. Although the underspend in 2010/11 will mean that the Council will not see its general fund balance reduce to a minimum level by March 2012, the Council is still facing future reductions in grant. Members need to take action to reduce the gap between current provision of services and future income to ensure future budgets are balanced.

Criterion

2. Securing economy efficiency and effectiveness

The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

Focus for 2010/11:

The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Findings

In 2010/11 the Council achieved significant savings, which have increased its balances. The Council can demonstrate that services which have been subject to a LEAN review are more efficient and operate at lower costs than the district average. However, members will need to prioritise the services that the Council can afford in order that its future expenditure can be met from its reduced income.

The Council can demonstrate that all services subject to LEAN reviews, have lower costs than the district council average and the Council has made significant savings of £3.7m over the past 3 years:

Year	Target £'000	SSDC Actual £'000	Excess/(Shortfall) £'000
2008/09	1,056	996	(60)
2009/10	1,087	1,458	371
2010/11	1,418	1,229	(189)
Total	3,561	3,683	122

District Executive 2 June 2011 (revenue outturn 2010/11)

In addition, the Council has built into its budget for 2011/12 further efficiency savings of £1.4m.

Although South Somerset has been successful in achieving almost £1m in savings through its LEAN programme, it recognises that it needs more than efficiency savings to realign its services so that they are sustainable within the reduced financial support provided by the Government.

Criterion**Findings**

The Council is beginning a fundamental review of its budgets and services that it can afford. Members will consider options in the autumn 2011 to inform the budget setting for 2012/13.

The Council needs to complete this review of services so that future expenditure is sustainable without the need for the support from balances.

Appendix 1 – Draft audit report

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

Opinion on the Councils 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 *Movement 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 Responsibilities of Auditors and Audited Bodies 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 the 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 misstatement, 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

foreword 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 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 income 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 United 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 statements.

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 arrangements for securing economy, efficiency and effectiveness in the use of resources

Council's responsibilities

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

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 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 its 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 its 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 ending 31 March 2011.

Certificate

I certify that I have completed the audit of the 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

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

22 September 2011 (draft)

Appendix 2 – Amendments to the draft financial statements

I identified the following adjustments during my audit and management have adjusted the financial statements. I bring them to your attention to aid you in fulfilling your governance responsibilities.

Adjustment	Nature of adjustment	Comprehensive income and expenditure statement		Balance sheet	
		Dr £000s	Cr £000s	Dr £000s	Cr £000s
The Council revised some of its figures in its cashflow statement.	The cashflow statement was represented for audit.				
Bad debt provision for non domestic rates was understated by £306,000 because of an arithmetical error in the spreadsheet.	Income collectable from business rate payers has reduced. Amounts due to the Pool have reduced but there is no impact on the Council's balance sheet. The Council acts as an agent when it collects non domestic rates on behalf of the national NDR Pool.				

		Comprehensive income and expenditure statement		Balance sheet	
Revenue grant income with no conditions attached was treated as a receipt in advance	The revenue grant income needs to pass through the Consolidated Income and Expenditure Statement	105	105		
Note 33 - Financial instruments – the figure for trade debtors in the disclosure note has not been adjusted for a late receipt of cash. It is not consistent with the balance	For the disclosure note only – reduce trade debtors by £32,000				
Note 41 – officers’ remuneration – 3 employees had received compensation and 2 were moved to a different pay band	Disclosure only – no impact on the financial performance of the Council				
Senior Officers’ Remuneration had only included the remuneration of the current Chief Executive and not the amounts paid to the previous chief executive for 11 months to March 2010.	The additional information allows users of the accounts to compare the costs of the Chief Executive from 2010/11 with those of the previous year 2009/10.				
Note 43 –long term contracts. After the Council had prepared its financial statements the contract for waste collection was extended by 7 years and the note was amended to reflect the change.	This was a disclosure note to identify future contractual commitments. There is no impact on the CIES or balance sheet.				

**Comprehensive income and
expenditure statement**

Balance sheet

Note 46 - Revenue expenditure funded from capital under statute (REFCUS) is overstated by £19,000.

This is a disclosure note and is amended for both the expenditure in the top half and the sources of finance in the bottom half. The closing capital financing requirement is unchanged.

Note 47 – disclosure of leases. £135,000 (31/3/11) and £204,000 (31/3/2010) of leases shown as long term were reclassified from long term to short term.

Comparatives for 1 April 2009 needed to be disclosed.
This is a disclosure item only.

Note 50 The actuarial gains and losses comparative figure has been disclosed in table 1 as £26,604K instead of £26,904K, as shown in the actuarial report. (The figure has been included correctly at other places in accounts).

Note 50 and other references in the financial statements have been amended.
This is a disclosure issue. There is no effect on the CIES or balance sheet.

There were several other amendments to the wording of disclosures to ensure consistency with other parts of the financial statements and with the Code.

This included the analysis of debtors and creditors into the format published in the Code.

Appendix 3 – Unadjusted misstatements to the financial statements

I identified the following misstatements during my audit, but management has not adjusted the financial statements. I bring them to your attention to help you in fulfilling your governance responsibilities and ask you to correct these misstatements.

If you decide not to amend, please tell me why in the representation letter. If you believe the effect of the uncorrected errors, individually and collectively, is immaterial, please reflect this in the representation letter. Please attach a schedule of the uncorrected errors to the representation letter.

Unadjusted misstatement	Nature of required adjustment	Comprehensive income and expenditure statement		Balance sheet	
		Dr £000s	Cr £000s	Dr £000s	Cr £000s
The Council did not accrue for services received in 2010/11.	Expenditure is understated and the general fund balance should be reduced (increase in short term creditors)	56			56

Comprehensive income and expenditure statement

Balance sheet

The Council has treated a lease of land to another organisation of £3000 per annum for 125 years, ending September 2119 as an operating lease.

The length of the lease term suggests a finance lease. The Council should remove this land from its balance sheet but recognise the right to receive future income streams. The Council has calculated that the long term debtor at 31 March 2011 would be £300,840 and the capital receipt in 2010/11 would be £37,500.

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Appendix 4 – Glossary

Annual governance statement

A statement of internal control prepared by an audited body and published with the financial statements.

Audit closure certificate

A certificate that I have completed the audit following statutory requirements. This marks the point when I have completed my responsibilities for the audit of the period covered by the financial statements.

Audit opinion

On completion of the audit of the financial statements, I must give my opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
- whether they have been prepared properly, following the relevant accounting rules.

Opinion

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view.

Materiality and significance

The Auditing Practices Board (APB) defines this concept as ‘an expression of the relative significance or importance of a particular matter for the financial statements as a whole. A matter is material if its omission would reasonably influence users of the financial statements, such as the addressees of the auditor’s report; also a misstatement is material if it would have a similar influence. Materiality may also be considered for any individual primary statement within the financial statements or of individual items included in them. We cannot define materiality mathematically, as it has both numerical and non-numerical aspects’.

The term ‘materiality’ applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

‘Significance’ applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit in relation to the financial statements. Significance has both qualitative and quantitative aspects.

Weaknesses in internal control

A weakness in internal control exists when:

- a control is designed, set up or used in such a way that it is unable to prevent, or detect and correct, misstatements in the financial statements quickly; or
- a control necessary to prevent, or detect and correct, misstatements in the financial statements quickly is missing.

An important weakness in internal control is a weakness, or a combination of weaknesses that, in my professional judgement, are important enough that I should report them to you.

Value for money conclusion

The auditor’s conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources based on criteria specified by the Audit Commission.

The Code of Audit Practice defines proper arrangements as corporate performance management and financial management arrangements that form a key part of the system of internal control. These comprise the arrangements for:

- planning finances effectively to deliver strategic priorities and secure sound financial health;
- having a sound understanding of costs and performance and achieving efficiencies in activities;
- reliable and timely financial reporting that meets the needs of internal users, stakeholders and local people;
- commissioning and buying quality services and supplies that are tailored to local needs and deliver sustainable outcomes and value for money;
- producing relevant and reliable data and information to support decision making and manage performance;
- promoting and displaying the principles and values of good governance;
- managing risks and maintaining a sound system of internal control;
- making effective use of natural resources;
- managing assets effectively to help deliver strategic priorities and service needs; and
- planning, organising and developing the workforce effectively to support the achievement of strategic priorities.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.

Appendix 5 Action Plan

Recommendations

Recommendation 1

The Council should process amendments from the Valuation Office in a timely way.

Responsibility	Ian Potter, Revenues and Benefits Manager
Priority	Medium
Date	Already implemented
Comments	There was a new postholder in place at the end of the financial year. Amendments are currently up to date (processed within the week). The Council aims to continue current performance and process amendments within one week of receipt from the Valuation Office.

If you require a copy of this document in an alternative format or in a language other than English, please call:
0844 798 7070

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The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors, members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.



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September 2011

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Donna Parham Assistant Director
(Finance & Corporate Services)



Brian Bethell
District Auditor
Audit Commission
Westward House
Lime Kiln Close
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BS34 8SR

Date: 22nd September 2011
Your Ref:
Our Ref:
Ask For: Donna Parham
Direct Line: 01935 462225
Fax : 01935 462248
e-mail: donna.parham@southsomerset.gov.uk

South Somerset District Council - Audit for the year ended 31 March 2011

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of South Somerset District Council the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2011.

Compliance with the statutory authorities

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom give a true and fair view of the financial position and financial performance of the Council, for the completeness of the information provided to you, and for making accurate representations to you.

Uncorrected misstatements

The effects of uncorrected financial statements misstatements summarised in the attached schedule are not material to the financial statements, either individually or in aggregate. These misstatements have been discussed with the Audit Committee and the reasons for not correcting these items are as follows;

- The Council did not accrue for services received in 2010/11: An invoice for £55,895 for services delivered before March 2011 was omitted from the accounts for 2010/11. As a result, the expenditure for 2010/11 is understated and the general fund balance is overstated by £55,895. The amount is immaterial and as such has not been amended. The omission was due to a project being managed by one service but paid from another service's budget. Steps have been put in place to mitigate the risk of this occurring in future years.
- The Council has treated a lease of land to another organisation of £3,000 per annum for 125 years as an operating lease: Under the new accounting arrangements the lease should have been reclassified as a finance lease. To remedy this, the value of the land should have been removed from the balance sheet and a long-term debtor should have been recognised. Other technical adjustments would also be required. The error has not been corrected due to the number of disclosures that would require amending and the time involved in doing so. It is felt that it would not create any additional benefit to the reader. However, it is accepted that this is an error and the amendments will be made during 2011/12 to ensure that the accounting is correct.

Supporting records

All the accounting records and access to persons within the entity have been made available to you for the purpose of your audit, and all the transactions undertaken by the Council have been properly reflected and recorded in financial statements.

Irregularities

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

I have disclosed to you all instances of non-compliance or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. The Council has complied with all aspects of contractual arrangements that could have a material effect on the statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates include fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value

Related party transactions

I confirm that I have disclosed the identity of the Council's related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirement of the framework.

Subsequent events

All events subsequent to the date of the financial statements, which would require additional adjustment or disclosure in the financial statements, have been adjusted or disclosed.

Signed on behalf of South Somerset District Council

I confirm that this letter has been discussed and agreed by the Audit Committee on 22 September 2011.

Donna Parham
Assistant Director – Finance and Corporate Services

22 September 2011

Audit Committee – 22nd September 2011

7. 2010/11 Annual Statement of Accounts

Strategic Director: Mark Williams, Chief Executive
Assistant Director Donna Parham (Finance and Corporate Services)
Service Manager Amanda Card, Finance Manager
Lead Officer: Amanda Card, Finance Manager
Contact Details: amanda.card@southsomerset.gov.uk or 01935 462542

1. Purpose of the Report

To present the 2010/11 Annual Statement of Accounts to the Audit Committee for approval.

2. Recommendations

- (a) To approve the 2010/11 Statement of Accounts. A copy of the Statement of Accounts has been circulated separately with this agenda.
- (b) To note the unqualified opinion on the financial statements.

3. Background

- 3.1 As a local authority SSDC is required to demonstrate compliance with the underlying principles of good governance and that a framework exists to demonstrate this. One of the principles is accountability and preparing and publishing the annual Statement of Accounts is one way that the Council achieves this objective.
- 3.2 The Accounts and Audit Regulations (England) 2011 came into force on 1 April 2011. This revised procedures for the approval and publication of the annual Statement of Accounts. The Responsible Financial Officer must now sign the accounts as true and fair by 30th June 2011 and Members are required to formally approve the audited and amended annual Statement of Accounts by the 30th September 2011. The Statement of Accounts needs to be approved and signed by the Chair of this committee. **Please contact Amanda Card before the meeting on 01935 462542 with any questions on the information presented.**
- 3.3 The Statement of Accounts for 2010/11 has been prepared following International Financial Reporting Standards (IFRS) that is a move from previous years Statement of Accounts which were based on UK Generally Accepted Accounting Practices (UK GAPP).
- 3.4 This report:
 - Outlines the key features of the 2010/11 revenue outturn position;
 - Summarises the 2010/11 capital outturn position;
 - Presents the 2010/11 Statement of Accounts and explains the key features and reasons for variations within those accounts.

- Explains the reasons why misstatements to the financial statements will not be adjusted.

4. Key Features of the 2010/11 Outturn Reports

4.1 Revenue Outturn

4.1.1 The figures that were presented to District Executive on 2nd June 2011 represent the "Above the Line" budgets that are monitored by the Executive on a quarterly basis. Members of the Audit Committee will find that the figures presented to them in the Statement of Accounts differ from those reported to District Executive as they represent both "Above" and "Below the Line" as a total cost. The "Below the Line" figures are distinguished from the "Above the Line" costs as they are outside the control of the delegated budget holder, being capital charges and recharges from support services such as Human Resources, Legal and Financial Services.

4.1.2 The overall outturn for SSDC Services, excluding the LSP, in 2010/11 was £722,000 underspent. Outlined below is the summary of the figures presented to the District Executive on 2nd June 2011;

Service	Original Budget	Movement During the Year	Outturn Budget	Actual Spend	Variation	
	£'000	£'000	£'000	£'000	£'000	
Strategic Management	746	(80)	666	499	(167)	F
Financial Services	(95)	438	343	409	66	A
ICT Services	986	47	1,033	1,022	(11)	F
Procurement & Risk Management	240	25	265	203	(62)	F
Revenue & Benefits	(99)	8	(91)	(39)	52	A
Democratic Services	1,103	(7)	1,096	1,069	(27)	F
Legal Services	266	11	277	330	53	A
Fraud & Data Management	101	0	101	96	(5)	F
Human Resources	412	3	415	327	(88)	F
Place & Performance	567	13	580	460	(120)	F
Economic Development	526	(3)	523	488	(35)	F
Development Control	533	(63)	470	647	177	A
Spatial Policy	2,649	(26)	2,623	2,724	101	A
Community AD & Cohesion	131	8	139	98	(41)	F
Third Sector & Partnerships	325	10	335	314	(21)	F
Area East	416	64	480	390	(90)	F
Area North	324	49	373	285	(88)	F
Area South	393	25	418	392	(26)	F
Area West	447	10	457	393	(64)	F
Operations & Customer Focus	590	(15)	575	548	(27)	F
Environmental Health	1,192	(88)	1,104	1,031	(73)	F
Civil Contingencies	122	75	197	190	(7)	F
Engineering & Property Services	608	(20)	588	369	(219)	F

Service	Original Budget £'000	Movement During the Year £'000	Outturn Budget £'000	Actual Spend £'000	Variation £'000	
Building Control	(110)	(1)	(111)	11	122	A
Streetscene	1,832	(95)	1,737	1,694	(43)	F
Waste & Recycling	3,593	(59)	3,534	3,479	(55)	F
Licensing	10	0	10	(32)	(42)	F
Arts & Entertainment	341	2	343	400	57	A
Sport & Leisure Facilities	292	0	292	351	59	A
Community Health & Leisure	786	4	790	780	(10)	F
Housing & Welfare	769	25	794	731	(63)	F
Countryside	266	0	266	241	(25)	F
SSDC Services	20,262	360	20,622	19,900	(722)	F
LSP	48	46	94	54	(40)	F
All Spend	20,310	406	20,716	19,954	(762)	F

(Note that all figures in brackets are underspends).

4.1.3 The comparative position over the last two years was 4.2% underspent in 2010/11 and 1.0% underspent in 2009/10. (This is after taking out the figures for Treasury Management and the Local Strategic Partnership to ease comparison).

4.2 Carry Forwards

4.2.1 The District Executive was asked to approve £392,650 of specific carry forwards to 2011/12. This includes £40,510 for the LSP and £352,140 for SSDC services.

4.3 Revenue Balances and Reserves

4.3.1 Unallocated general fund balances totalled £3,117,000 at the end of the 2010/11 financial year. Regular reviews of balances were carried out during 2010/11 and the required levels were met throughout the year. The review carried out in May 2011 has set a level of £2,191,550 for the 2011/12 year, an increase due to the risks of the economic downturn on the Medium Term Financial Plan, the raised risks within the banking sector, and possible greater litigation risks but as members can see the levels of balances are still sufficient for the new financial year.

4.3.2 Specific Reserves totalled £4,478,000 at the end of the financial year. These reserves are actual cash sums set-aside for specific purposes.

4.4 Capital Outturn Report

4.4.1 The capital programme spend for 2010/11 was £2,717,730, which equates to a 40.1% underspend. This compares to a 28.7% underspend in 2009/10.

4.4.2 All completed capital schemes are shown in the table below:

Scheme	Revised Budget £'000	Actual Spend £'000	Variation		Responsible Officer
			£'000		
Capital Salaries	200	225	25	A	A Card
Eastern End, Yeovil Improvement Grants	20	18	(2)	F	K Close
Alternative electric supply at Brympton Way	200	202	2	A	I Johns
Contribution to public toilets in Peter Street, Yeovil	150	107	(43)	F	P Biggenden
Vehicle weight monitoring system	23	19	(4)	F	C Cooper
Yeovil Vision Flagship play space	183	183	0	F	R Parr

5. Loans

5.1 SSDC has a loans policy where loans may be given at PWLB (Public Works Loans Board) rates to local voluntary and charitable organisations. The maximum outstanding sum of those loans must not exceed £1,000,000 at any time. At the end of 2010/11 the amount of loans outstanding under this policy was £406,876.

6. Statement of Accounts

6.1 The District Auditor will review the annual Statement of Accounts and supporting working papers and will issue his opinion as to whether they present fairly the financial position of South Somerset District Council at 31 March 2011 and its income and expenditure for the year then ended.

6.2 A copy of the Statement of Accounts has been circulated separately with this agenda. In addition to this, a summary of the statements will be prepared in leaflet format to make them more accessible to the end user.

7. Key Features from the Statement of Accounts

7.1 The Statement of Accounts contains four core statements reflecting the financial position of SSDC as at 31st March 2011. These are;

- Movement in Reserves Statement;
- Comprehensive Income and Expenditure Statement;
- Balance Sheet;
- Cash Flow Statement.

7.2 There are additional statements relating to the Collection Fund (which deals with the collection and distribution of Council Tax and Business Rates).

7.3 It is a statutory requirement for all local authority financial statements to be IFRS compliant. This requirement has meant that the format of the core financial statements have changed substantially.

7.4 The Code of Practice on Local Authority Accounting introduces further technical changes:

7.4.1 Short-term accumulating compensated absences refer to the benefits that employees receive as part of their contract of employment. The most significant benefit is holiday pay. The Authority is required to accrue for any annual leave earned but not yet taken as at 31 March each year. This has resulted in a charge to the Comprehensive and Income Statement. This is then subsequently reversed out in the General Fund (by statutory provision) to the Accumulating Compensated Absences Adjustment Account.

7.4.2 All leases that the Council are involved with whether as a lessee or a lessor had to be assessed to ensure that they were accounted for correctly. As a result many of the vehicle and printer leases where we are lessee were reclassified from an operating lease to a finance lease. This involved creating assets (vehicles and printers) and finance lease liabilities, and any lease payments to be split between principal repayments and interest payments. Retrospective accounting has been applied as it was necessary to account for Finance leases as if they always had been such.

7.4.3 Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable and all conditions will be met. 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. The Grants Deferred Account no longer exists and the balance transferred to the Capital Adjustment Account.

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

7.4.5 The Code has changed the definition of the categories within Non-Current Assets. Investment Property are now considered Plant, Property and Equipment if they are not used solely to earn rentals and/or for capital appreciation. Under the new definition, South Somerset District Council do not hold any Investment Properties as properties previously held as Investment Properties are held for economic development purposes.

7.4.6 IFRS introduces the concept of accounting for different components of assets separately. Component accounting recognises that different components of assets could have different useful lives. All Plant, Property and Equipment were reviewed as to whether it should be componentised.

7.4.7 As a result of these technical changes, the 2009/10 statements have been restated in order to comply with IFRS.

8. The Comprehensive Income and Expenditure Statement

8.1 This account gives detailed information about the total expenditure on the services we provide. It also shows the council tax and government grants received to help pay for those services. The net operating expenditure figure is reconciled to the outturn spend position outlined to District Executive in the following way:

	£'000
Total Spend Reported to the District Executive (as Paragraph 8)	19,954
Adjustments:	
Items subsequently reversed in the Statement of Movement in Reserves Statement – General Fund Balance (page 33 of the financial statements)	(7,059)
Items reported beneath the Net Cost of Services on the Comprehensive Income and Expenditure Statement	3,156
Net Cost of Services (taken from the Comprehensive Income and Expenditure Statement, page 34 of the financial statements)	16,018

8.2 The major year on year variations (over £1 million) and explanations for those variances are outlined below:

Services	Previous Year 2009/10 £'000	Current Year 2010/11 £'000	Variance £'000	Reason for Variance
Central Services	2,188	1,094	(1,094)	2009/10 included £919k in respect of redundancy/severance payments to Strategic Management staff
Cultural, Environmental and Planning Services	16,019	18,303	2,284	2009/10 included impairment charges for buildings, which were recategorised from Investment Property to Plant, Property and Equipment.
Exceptional Items of Income and Expenditure	0	(10,019)	(10,019)	In the 2010/11 budget, the coalition government announced that the pension increase order applied to pensions in payment will be linked to the Consumer Price Index rather than the Retail Price Index.

Note that figures in brackets show underspends compared to the previous year spend.

9. The Balance Sheet

9.1 The Balance Sheet provides the Council with a snapshot of our financial position overall as at the 31st March 2011. At 31 March 2011 the authority's net assets amounted to £48.03 million (£23.72 million at 31 March 2010).

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

9.3 In practice, the amount of net worth that can be used is £40.75 million (Usable Capital Receipts £31.57 million, Capital Grants Unapplied £0.82 million, Earmarked

Reserves £4.48 million and Balances £3.88 million). The remaining £9.78 million is held in technical reserves which are not available for use.

- 9.4 In addition, Members will note the Contingent liabilities disclosed in **note 50**. Contingent liabilities are possible future obligations; they are not accounted for within the balance sheet, as the obligation will only be confirmed if uncertain events happen in the future. Any claims would need to be funded from SSDC balances.

10. Cash Flow Statement

- 10.1 This statement outlines the changes in cash and cash equivalent of the authority during 2010/11.

10.2 There has been a net increase in cash and cash equivalents of £487k.

10.3 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.

11. Collection Fund

11.1 The Collection Fund shows the total SSDC has collected on behalf of all of the precepting authorities (e.g. Somerset County Council, Avon & Somerset Police Authority, Devon & Somerset Fire & Rescue Authority and town/parish councils). It also shows the amounts distributed to those authorities. The major variations are shown below:

Heading	Previous Year 2009/10 £'000	Current Year 2010/11 £'000	Variance £'000	Reason for Variance
Income from Council Taxpayers	(78,049)	(79,305)	(1,256)	Average Council Tax Increase of 1.03% (3.21% in 2009/10) and increase in tax base 0.4% (0.4% in 2009/10)

Note that figures in brackets in the first two columns represent income, and in the last column represent an increase in income or a reduction in expenditure.

12. Auditor's Opinion

12.1 An unqualified opinion has been issued on the financial statements.

12.2 During the audit there were some amendments made to the draft financial statements. Processes have been put in place to eliminate the errors that have been identified during the 2010/11 audit to ensure that they do not occur in future years.

12.3 There are two misstatements to the financial statements that remain unadjusted.

12.3.1 An invoice for £55,895 for services delivered before 31 March 2011 was omitted from the accounts for 2010/11. As a result, the expenditure for 2010/11 is understated and the general fund balance is overstated by £55,895. The amount is immaterial and as such has not been amended. The omission was due to a project being managed by one service but paid from another service's budget. A creditor provision was not made. Steps have been put in place to reduce the risk of this occurring in future years.

AC

12.3.2 Land leased to another organisation had been classified as an operating lease but under the new accounting arrangements should have been classified as a finance lease. To remedy this, the value of the land should be removed from the balance sheet (creating a capital receipt of £37,500) and a long-term debtor (of £300,840) set up to recognise the future income streams. Other technical adjustments would also be required. The error has not been corrected due to the number of disclosures that would require amending and the time involved doing so. It is felt that it would not create any additional benefit to the reader. However, it is accepted that this is an error and the amendments will be made during 2011/12 to ensure that the accounting is correct.

13. Financial Implications

13.1 There are no financial implications associated with these recommendations.

Background Papers: *Revenue outturn 2010/11*
 Capital outturn 2010/11

Audit Committee – 22nd September 2011

8. Summary Statement of Accounts

Strategic Director: Mark Williams, Chief Executive
Assistant Director Donna Parham (Finance and Corporate Services)
Service Manager Amanda Card, Finance Manager
Lead Officer: Amanda Card, Finance Manager
Contact Details: amanda.card@southsomerset.gov.uk or 01935 462542

Purpose of the Report

To ask members of the Audit Committee to comment on the 2010/11 Summary of Accounts before publication (copy attached at pages 47-50).

Recommendation

To comment on the 2010/11 Summary of Accounts.

Summary Accounts

The first Summary of Accounts was produced in 2004/05 and we have continued to simplify the summary. Although a Use of Resources judgement is no longer given by the Audit Commission, it is believed that having such a document would still be of benefit.

The key comments sought are in the following areas:

- Will members of the public understand the summary;
- Are the terms and wording easy to interpret;
- Are the areas of key financial performance outlined;
- General feedback on how it could be made more user friendly.

Financial Implications

The production of the summary of accounts can be financed within existing budgets. The Summary of Accounts will not be printed and distributed but will be a document accessible via the Council's website.

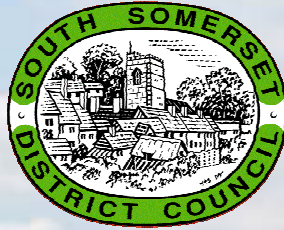
Background Papers: None

AC

Audit Committee – 22nd September 2011

9. **Date of Next Meeting**

The next meeting of the Audit Committee is scheduled to take place on Thursday, 27th October 2011 at 10.00 a.m. in Committee Room 3/4, Council Offices, Brympton Way, Yeovil.



South Somerset District Council

Summary of Accounts 2010/11

A simplified picture of the Council's
2010/11 Statement of Accounts



2007-2008
*Neighbourhood and
Community Champions:
The Role of Elected Members*

2006-2007
*Improving Rural Services
Empowering Communities*

2005-2006
Getting Closer to Communities

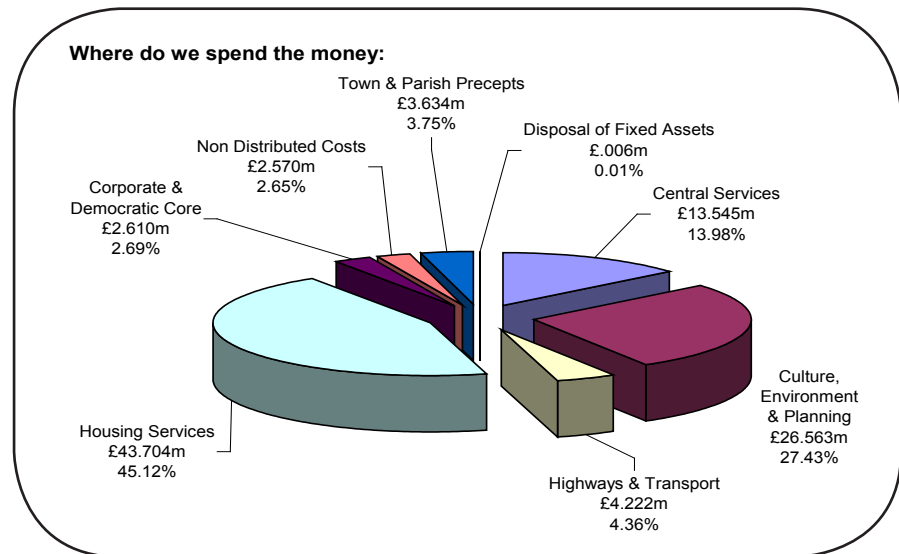
We would welcome any comments you have on the
Summary of Accounts. Please call the number below
or email accountancy@southsomerset.gov.uk

A full copy of the Council's 2010/11 accounts is available on request
or from the Council's website - www.southsomerset.gov.uk Please
telephone 01935 462462 if you wish to be sent a copy

Where the money goes:

We spent £96.854million on running services. These costs are included in our revenue account, which shows the costs incurred between 1st April 2010 and 31st March 2011. This is summarised in the pie chart below:

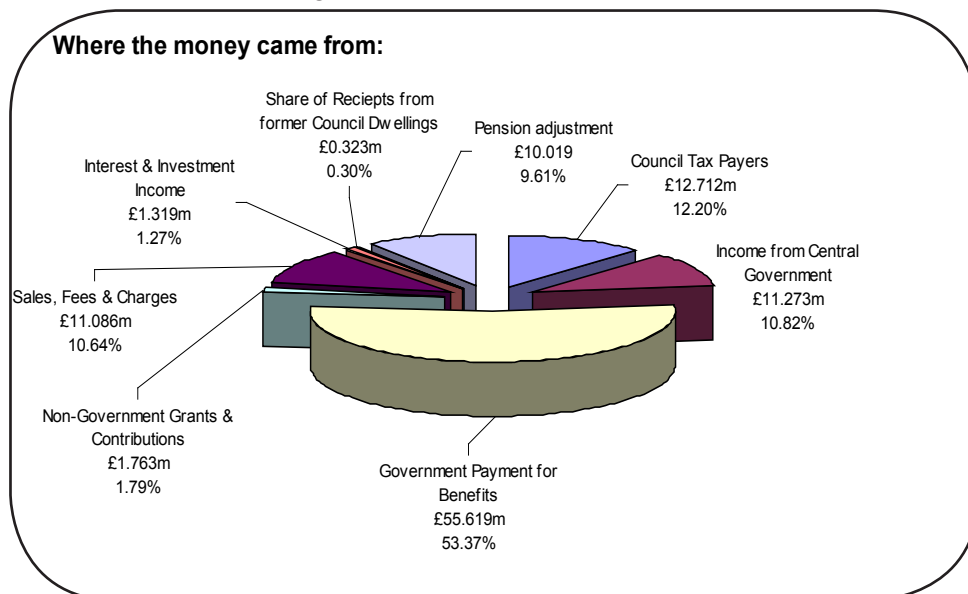
The revenue costs are those associated with the day-to-day spending of the Council eg. staff salaries, building maintenance and electricity. This is different to capital costs, which are detailed on the next page



Notes: Corporate & Democratic Core include the costs of the activities of Members in their democratic role and of providing the infrastructure to provide Council services. Non distributed costs includes costs that are unique to a local authority eg. financial instrument adjustments, accumulated absences, and those costs not directly associated to a particular service eg. pension costs

Where the money comes from:

The chart below shows where South Somerset District Council obtained its gross income of £104.114 million from during 2010/11



Deducting the income of £104.219 million from the expenditure of £96.854 million leaves a net surplus of £7,365 million.

The rate of Business Rates per property is set by Central Government. SSDC collect this from local businesses on the Government's behalf and pay it over to them. It is then redistributed by the Government across the country based on the adult population

Day to day spending

Capital Expenditure:

Capital Expenditure is long term investments made by the council on upgrading and improving assets such as buildings and purchasing vehicles. The following table outlines the capital expenditure incurred during 2010/11:

Type	Description	2010/11 Actual £'000
Finance & Corporate Services	Information technology systems	302
	Other council-wide projects*	225
		527
Place & Performance	Economic development project	153
	Performance management system	1
		154
Economy	Affordable housing	566
	Business Innovation Centre, Yeovil	78
	Ropewalk, West Coker	13
	Acquisition and refurbishment of gypsy sites	1
		658
Communities	Addressing Health Inequalities	564
	Foundry House, Yeovil	352
	Village hall grants	146
	Area Committee projects*	134
	Bruton Dovecot	77
	Market Towns vision	57
	Old Tatoo Parlour, Newton Road, Yeovil	53
	Enhancements to Princes Street	25
	Feasibility fees and minor projects*	9
		1,417
Environment	Disabled Facilities Grants	865
	Enhancements to Council buildings	178
	Empty property grants & home repairs assistance	147
	Birchfield sewer pollution works	78
	Burial projects*	72
	Other environmental projects	41
	HMO grants	35
	Car park resurfacing and enhancements	30
	Public convenience improvements/refurbishment	16
		1,462
Health & Well-being	Infrastructure & Park Homes at gypsy sites (funded by Central Government)	1,168
	Grants for parishes with play areas	159
	Community play schemes	156
	Yeovil Vision Flagship Playspace	57
	Various works at Yeovil Recreation Ground	33
	Sports grants and projects*	23
		1,596
	Note: * Explanation of projects available if required	
	Total Capital spend in 2010/11	5,814

Capital spending

What are we worth:

What the Council owns and is owed:

Net Assets	31 March 2011 £'000
Buildings, Land and Equipment owned by the Council	55,611
Stock	152
Cash in Bank and Investments	37,265
Money owed to the Council	9,220
Money owed by the Council	(6,839)
Money owed by the Council relating to the Pension Scheme	(44,770)
Total Assets less total Liabilities	50,639

At the end of the year we draw up a balance sheet that shows how much SSDC's land and buildings are worth, what is owed to others, what others owe us and how much cash we have.

What SSDC is Worth:	31 March 2011 £'000
Usable Reserves	40,862
Unusable Reserves	54,547
Pensions Reserve	(44,770)
Total Reserves and Balances	50,639

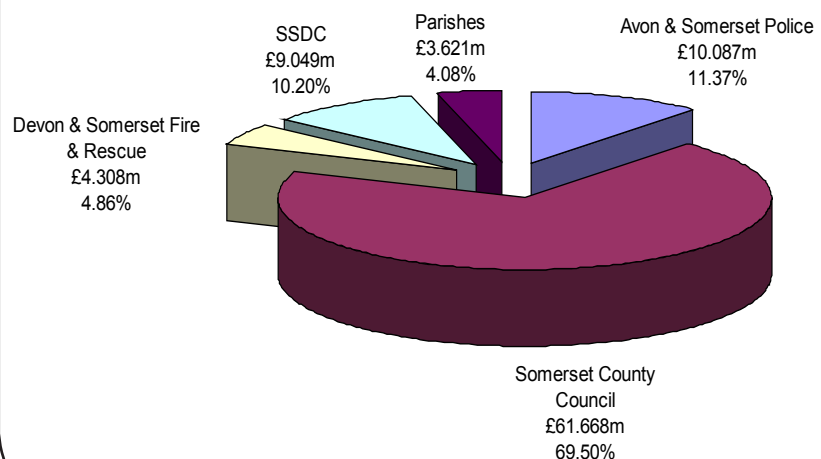
(items in brackets represent council liabilities)

Council Tax facts and figures:

Description	2009/10	2010/11
Population of South Somerset	158,600	158,600
Collection of Council Tax in year	97.93%	97.84%
Value of Direct Debits	£59.789m	£61.028m
% Collected by Direct Debit	75.84%	76.39%

As a precepting (billing) authority we have to collect Council Tax on behalf of Somerset County Council, Avon & Somerset Police, Devon & Somerset Fire & Rescue and the Parish Councils within our district. The most economical way of collecting this is by Direct Debit.

Who we collect Council Tax on behalf of:



Statement from Assistant Director, Finance & Corporate Services

The council's Statement of Accounts has been prepared in accordance with the Accounting Code of Practice and has received an unqualified opinion. The figures in this summary were compiled having regard to proper accounting practices