South Somerset District Council

Statement of Accounts 2013/2014

Contents

Introduction to South Somerset

Strategically located midway between the English and Bristol Channels, South Somerset 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 the largest town with 45,000 people living in or close to it.

South Somerset is predominantly an agricultural area of diverse landscapes and 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.

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 439 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.

SSDC is the billing authority and collects council tax on behalf of the following; Avon and Somerset Police Authority, Somerset County Council, Devon and Somerset Fire and Rescue and 121 town and parish councils. Of the average Band D council tax of £1,490.64 SSDC's share is £150.74. SSDC's net budget in 2013/14 was £17.9 million.

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 2013/14.

The accounts fairly reflect South Somerset District Council's financial position for the financial year ended 31 March 2014. 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 2013/14 appears on page 12 of this document.

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

Movement in Reserves Statement (pg 27)
This statement summarises the movement in the year of the different reserves held by the authority.

Comprehensive Income and Expenditure Statement (pg 29)
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 30)
The balance sheet provides a snapshot of our financial position as at 31 March 2014. It sets out what we own and what we owe at that point in time.

Cash Flow Statement (pg 31)
This statement summarises the total cash movements during the year for both capital and revenue purposes.

Collection Fund (pg 69)
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.

The budget for the 2013/14 financial year was set in February 2013. SSDC has a good track record in finding new ways of working and delivering budget savings year on year. This has meant that the impact of those savings on front line services to the public has been minimised.

Comparing actual spending to budget

The budget for the year was supported by no change in Council Tax for the third year running. This gave a Band D Council tax of £150.74.

Our original total net expenditure budget for the year was £18m. This represents the net cost of services taking into account:
- £45.5m of specific government grants;
- £12.2m income from fees and charges for services provided; and
- £0.3m of income from our investments.

It also included the following:
- Efficiency savings of £540k;

The total net expenditure budget for the year was financed by:
- £6.5m of business rates and general government grants; and
- £9.5m of council tax income.
- £1.9m of new homes bonus

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 £81k and its revised budget by £1,208k.

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:

- Financial Services underspent by £204k due to investment income exceeding the budget and savings on insurance premiums
- Engineering & Property Services made significant savings of £179k on energy & maintenance costs
- Development Control underspent by £126k due to planning fee income exceeding the 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 2013/14.

Previous Year Spend 2012/13 £'000	Service	Original Budget 2013/14 £'000	Outturn Budget 2013/14 £'000	Actual Spend 2013/14 £'000	Variation £'000	
497	Strategic Management	629	612	533	(79)	F
627	Financial Services	1,011	811	607	(204)	F
961	ICT Services	924	949	921	(28)	F
165	Procurement & Risk Management	165	166	167	1	A
(379)	Revenue & Benefits	80	86	84	(2)	F
943	Democratic Services	1,045	1,085	1,049	(36)	F
249	Legal Services	284	331	254	(77)	F
101	Fraud & Data Management	100	101	99	(2)	F
392	Human Resources	341	359	328	(31)	F
344	Place & Performance	357	326	286	(40)	F
314	Economic Development	370	1,339	1,243	(96)	F
408	Development Control	540	521	395	(126)	F
547	Spatial Policy	543	567	560	(7)	F
54	Equalities	53	57	51	(6)	F
322	Community & Third Sector Partnerships	283	416	417	1	A
66	LSP	26	26	26	0	
10	Family Support Programme	0	0	0	0	
221	Area East	262	237	215	(22)	F
197	Area North	252	221	176	(45)	F
251	Area South	325	298	269	(29)	F
329	Area West	346	291	276	(15)	F
505	Operations & Customer Focus	485	488	488	0	
1,039	Environmental Health	1,014	1,041	1,034	(7)	F
154	Civil Contingencies	136	137	172	35	A
214	Engineering & Property	120	145	(34)	(179)	F
(12)	Building Control	(36)	(27)	(14)	13	A
1,873	Streetscene	1,750	1,780	1,762	(18)	F
4,045	Waste & Recycling	4,245	4,292	4,212	(80)	F
(59)	Licensing	(2)	17	(57)	(74)	F
315	Arts & Entertainment	352	366	277	(89)	F
216	Sport & Leisure Facilities	272	308	308	0	
559	Community Health & Leisure	776	778	786	8	A
593	Housing & Welfare	664	712	735	23	A
256	Countryside	243	246	249	3	A
16,317	**TOTAL SPEND**	**17,955**	**19,082**	**17,874**	**(1,208)**	

Reconciliation to the Comprehensive Income and Expenditure Statement

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

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

2012/13 £'000		2013/14 £'000
(94,809)	Gross Income - "Where the money came from"	(85,992)
98,056	Gross Expenditure - "Where the money went"	89,387
3,247	**(Surplus)/Deficit for the year per the Comprehensive Income and Expenditure Statement**	**3,395**

Where the money came from

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

2012/13 £'000	Sources of Income	2013/14 £'000
13,243	Council Tax Payers (Including Parish Precept of £4,197)	12,308
9,305	Central Government Support	11,617
58,851	Specific Government Contribution	47,577
2,002	Non Government Grants & Contributions	1,178
9,932	Sales, Fees & Charges	11,318
425	Interest on Investment	437
1,051	Share of Right to Buy Receipts from former Council dwellings	1,557
94,809	**Gross Income**	**85,992**

Where the money went

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

2012/13 £'000	Categories of Expenditure	2013/14 £'000
16,365	Employees	15,728
2,926	Premises Related	3,073
1,261	Transport Related	1,236
5,502	Supplies and Services	6,190
5,755	Third Party Payments	6,145
55,331	Payments to Benefits Claimants	44,742
6,892	Capital & Financing Charges	8,076
4,032	Town & Parish Precepts	4,197
(8)	Reserves and Other Balance Sheet Items	0
98,056	**Gross Expenditure**	**89,387**

Capital Account Summary

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

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

Comparing actual gross spending to gross budget

Our original gross budget plan for the year was to spend £3.598m on capital projects. We revised our capital budget for the year to take account of the position at the end of the 2012/13 financial year and the progress on the ground with our capital projects. The revised gross budget total was £4.584m.

The increase of £0.986m between the original and revised budget is largely due to some Save to Earn projects being agreed for the year and various grants to community projects, to take advantage of developers contributions. The remaining movement was due to a variety of factors including projects progressing from the reserve list or being returned to reserves. Our gross capital spend for the year was £3.890m.

Explaining the big differences

The gross amount spent was £749k less than the revised gross budget. The top variance between actual gross spend and the revised budget that contributed to the variation was:

- £154k under spend on the affordable housing. These were three schemes scheduled for completion in 2013/14 where there have been slight delays over the appointment of approved contractors by the Housing Associations.

Of the £749k, £724k will be carried forward to spend in 2014/15.

Where the money went:

	Original Budget 2013/14 £'000	Outturn Budget 2013/14 £'000	Actual Spend 2013/14 £'000	Variation £'000
Finance & Corporate Services	438	568	417	(151)
Legal & Corporate Services	0	35	29	(6)
Economy	420	368	223	(145)
Communities	595	827	721	(106)
Environment	1,907	1,374	1,159	(215)
Health & Well-being	238	1,412	1,341	(71)
Total Spent	**3,598**	**4,584**	**3,890**	**(694)**

Where the money came from:

Financing of Capital Expenditure	2013/14 £'000
Capital receipts	2,340
Capital grants from non-government funding partners	1,096
Capital grants from central government	454
Gross capital spend	**3,890**

As the table shows, we continued with our good record of levering in other people's money to help pay for our capital projects. We only contributed £2.340m towards the £3.890m we spent last year. This means, for every £1 of our capital resources we contributed, we received 66p 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 2013/14 with £36.97m of capital receipts that could be used to fund capital expenditure and ended the year with £36.39m.

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

2012/13 Total £'000	Movement in Year	2013/14 Total £'000
(37,301)	Balance at beginning of year	(36,971)
(1,277)	Receipts from Sale of Assets	(1,771)
1,594	Receipts applied to finance capital expenditure	2,340
13	Amounts payable to the housing capital receipt pool	6
(36,971)	**Balance at end of year**	**(36,396)**

(Brackets represent a reduction in the reserve)

Reserves and Balances Summary

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

The General Fund Balance of £5.71m, represents the accumulated revenue surpluses and should provide a financial cushion should anything unexpected happen that leads to unplanned expenditure.

An exercise is undertaken to establish the areas of significant risk within the revenue budget and the likelihood of the risk occurring. This assessment allows us to calculate how much money the Council should hold in reserve, for 2013/14 the figure was in the range of £3.4m and £3.8m.

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 £2.99m to these reserves during the course of the year, but also spent £1.18m on specific projects during the year. As at 31 March 2014 we have £8.44m of these earmarked reserves.

Balance Sheet Summary

At 31 March 2014 the authority's net assets amounted to £38.38m (£31.73m restated at 31 March 2013).

The authority's net assets are significantly reduced by the inclusion of the pension scheme liability of £61.81m (compared to £68.47m at 31 March 2013). The present value of the pension scheme liabilities have decreased to £135.33m (from £140.14m at 31 March 2013) and the fair value of the scheme assets have increased to £73.52m (£71.67 at 31 March 2013).

In practice the amount of net worth that can be used is £50.9m (Usable Capital Receipts £36.4m, Capital Grants Unapplied £0.36m, Earmarked Reserves £8.44m and General Fund Balances £5.71m). The Authority also has shares in a joint venture with net worth of £0.59m The remaining £13.11m is held in technical reserves which are not available for use.

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

Opinion on the Authority financial statements

We have audited the financial statements of South Somerset District Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial 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. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the 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 Services) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of South Somerset District Council as at 31 March 2014 and of its expenditure and income 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 2013/14 and applicable law.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires
- the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

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

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

The Authority 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.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority 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 us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

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

We have undertaken our 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 2013, as to whether the Authority 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 us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are 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 2014.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed our consideration of matters brought to our attention by local authority electors. We are satisfied that these matters do not have a material effect on the financial statements or a significant impact on our value for money conclusion.

Simon Garlick
Directorfor and on behalf of Grant Thornton UK LLP, Appointed Auditor

Hartwell House
55-61 Victoria Street
BRISTOL
BS1 6FT

expected 29 September 2014

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 2014 and its income and expenditure for the year ended 31 March 2014.

Signed:

Donna Parham, Assistant Director – Finance and Corporate Services

Date: 26th June 2014

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year end of 31 March 2014. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011 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 2013/14 and the Service Reporting Code of Practice (SeRCOP) 2013/14 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

2. Accruals of Income and Expenditure

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

- 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. 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.

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 amortisation. 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 amortisation 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
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.

In relation to the Local Government Pensions Scheme, a revised IAS19 standard applied for accounting periods beginning on or after 1 January 2013. The main changes were:

- Removal of the expected return on assets, to be replaced by a net interest cost comprising interest income on the assets and interest expense on the liabilities, which are both calculated with reference to the discount rate;
- Some labelling changes to the Profit and Loss charge, e.g. "Service costs" now includes what was previously described as the "Current Service Cost" plus the "Past Service Cost" plus any "Curtailments" and "Settlements; and
- Administration expenses are now accounted for within the Profit and Loss charge; previously we made a deduction to the actual and expected returns on assets.

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

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

Financial Assets

Financial assets are classified into two types:

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

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

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value 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.

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.

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. 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 benefiting 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.

15. 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 Service Reporting Code of Practice (SeRCOP) 2013/14. 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 SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

16. 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 £500. 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
Office Buildings	60
Public Conveniences	50
Sports and Leisure Centres	40
Vehicles	10
Cremators	10

Where an asset includes a number of components with significantly different asset lives, these 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 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.

17. Component Accounting

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

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

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

- Land and individual buildings will be valued separately.

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

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

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

18. Heritage Assets

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

The Council's heritage assets are predominately the museum stock that is held at the Community Heritage Access Centre (CHAC). The information is held on an item database held by the Museum. Items within the museum stock can be viewed by appointment. The six principal collections of heritage assets held include:

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

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

Other heritage assets consist of historical buildings (Dawes Twine Works, Burlingham Barn and the Four Follies), Civic Regalia and the Crematorium's Book of Remembrance. This information is held on the asset register. They are presently valued at historic cost, which is £1. There is no depreciation charge on these heritage assets because it has been estimated that the assets have a useful life of such length that any depreciation charge would be negligible and can be ignored on the basis of materiality.

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

19. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council 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 69.

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 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 2014. This amount is then adjusted for the authority's share of the surplus/deficit at 31st March 2013 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.

In 2013/14, the national council tax benefit was replaced by a local council tax support scheme. This has meant that rather than individual recipients receiving council tax benefits from Central Government, a discount is applied to that individual's Council Tax bill.

26. Accounting for National Non-Domestic Rates

The collection of National Non-Domestic Rates income is in substance an agency arrangement, the cash collected by the Council from business rates 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 business rate payers.

The National Non-Domestic Rates 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 31st March 2014. This amount is then adjusted for the authority's share of the surplus/deficit of 31st March 2013 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 Adjustment Account and included as a reconciling item in the General Fund in the Movement in Reserves Statement.

The Business Rates Retention model replaced the previous funding formula whereby all business rates collected were paid over to Central Government to be allocated back on a formula basis. The new scheme was implemented on 1 April 2013 and the government set each Local Authority a baseline. This was based on the current level of funding under the previous formula scheme. Business Rates Retention is based on 50% of business rates collected being retain by Local Authorities (40% South Somerset District Council, 9% Somerset County Council and 1% Devon and Somerset Fire and Rescue).

Top-ups and tariffs are part of the system of redistribution. The Council pays a tariff as it collects more business rates than it keeps and distributes. The safety net provides protection against significant reduction in income as a result of the scheme by guaranteeing that no authority sees its retained rates income fall below a fixed percentage of its baseline funding. These payments are funded through a levy which is applied when the retained rates income level for the year is more than its baseline funding for the year.

Movement in Reserves Statement

Reserves represent the authority's net worth and shows its spending power. This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 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	Joint Venture Reserves	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
	£'000	£'000	£'000	£'000	£'000	**£'000**	£'000	**£'000**
Restated Balance at 31 March 2012	**(4,168)**	**(5,550)**	**(37,301)**	**(285)**	**(580)**	**(47,304)**	**16,765**	**(30.539)**
Movement in reserves during 2012/13								
(Surplus) /Deficit on the provision of services	4,147	0	0	0	**0**	**4.147**	0	**4,147**
Other Comprehensive Income and Expenditure	0	0	0	0	**(7)**	**(7)**	(4,753)	**(4,760)**
Total Comprehensive Income and Expenditure	**4,147**	**0**	**0**	**0**	**(7)**	**4,140**	**(4,753)**	**(613)**
Adjustments between accounting basis & funding basis under regulations (note 6)	(5,411)	0	330	(588)	**0**	**(5,669)**	5,669	**0**
Net Increase/Decrease before transfers to Earmarked Reserves	**(1,264)**	**0**	**330**	**(588)**	**(7)**	**(1,529)**	**916**	**(613)**
Transfers (to)/from Earmarked Reserves (note 28)	1,079	(1,079)	0	0	**0**	**0**	0	**0**
Increase/Decrease in 2012/13	**(185)**	**(1,079)**	**330**	**(588)**	**(7)**	**(1,529)**	**916**	**(613)**
Restated Balance at 31 March 2013	**(4,353)**	**(6,629)**	**(36,971)**	**(873)**	**(587)**	**(49,413)**	**17,681**	**(31,732)**
Movement in reserves during 2013/14								
(Surplus) /Deficit on the provision of services	3,396	0	0	0	**0**	**0**	0	**3,396**
Other Comprehensive Income and Expenditure	0	0	0	0	**(5)**	**(5)**	(10,039)	**(10,044)**
Total Comprehensive Income and Expenditure	**3,396**	**0**	**0**	**0**	**(5)**	**3,391**	**(10,039)**	**(6,648)**
Adjustments between accounting basis & funding basis under regulations (note 6)	(6,556)	0	575	510	**0**	**(5,471)**	5,471	**0**
Net Increase/Decrease before transfers to Earmarked Reserves	**(3,160)**	**0**	**575**	**510**	**(5)**	**(2,080)**	**(4,568)**	**(6,648)**
Transfers (to)/from Earmarked Reserves (note 28)	1,806	(1,806)	0	0	**0**	**0**	0	**0**
Increase/Decrease in 2013/14	**(1,354)**	**(1,806)**	**575**	**510**	**(5)**	**(2,080)**	**(4,568)**	**(6,648)**
Balance at 31 March 2014	**(5,707)**	**(8,435)**	**(36,396)**	**(363)**	**(592)**	**(51,493)**	**13,113**	**(38,380)**

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 2013 (Restated) £'000	Gross Income Year Ended 31 March 2013 (Restated) £'000	Net Cost of Services Year Ended 31 March 2013 (Restated) £'000	Service		Gross Expenditure Year Ended 31 March 2014 £'000	Gross Income Year Ended 31 March 2014 £'000	Net Cost of Services Year Ended 31 March 2014 £'000
13,123	(13,611)	(488)	Central Services		2,659	(2,268)	391
7,068	(2,872)	4,196	Cultural and Related Services		7,368	(3,168)	4,200
10,368	(1,873)	8,495	Environmental and Regulatory Services		10,438	(1,899)	8,539
6,966	(2,715)	4,251	Planning Services		7,110	(2,839)	4,271
1,970	(2,421)	(451)	Highways and Transport		1,885	(2,607)	(722)
48,183	(46,515)	1,668	Housing Services		48,611	(46,433)	2,178
2,551	(105)	2,446	Corporate and Democratic Core		2,645	(37)	2,608
315	0	315	Non Distributed Costs		316	0	316
90,544	**(70,112)**	**20,432**	**Net Cost of Services**		**81,152**	**(59,371)**	**21,781**
4,084	(1,051)	3,033	Other operating expenditure	7	4,247	(1,557)	2,690
611	0	611	Net Loss/(Gain) on Disposal of Fixed Assets	9	260	0	260
3,045	(425)	2,620	Financing and Investment Income and Expenditure	10	3,026	(436)	2,590
0	(22,549)	(22,549)	Taxation and Non-Specific Grant Income	11	0	(23,925)	(23,925)
98,284	**(94,137)**	**4,147**	**(Surplus)/Deficit on Provision of Services**		**88,438**	**(85,289)**	**3,396**
		(3,827)	(Surplus)/Deficit on revaluation of Property, Plant & Equipment				444
		10	(Surplus)/Deficit on revaluation of Available for Sale Financial Assets				(52)
		(936)	Remeasurement of the Net Defined Benefit Liability				(10,431)
		(7)	Share of Other Income and Expenditure of Joint Venture				(5)
		(4,760)	**Other Comprehensive Income and Expenditure**				**(10,044)**
		(613)	**Total Comprehensive Income and Expenditure**				**(6,648)**

Balance Sheet (Brackets represent liabilities)

The balance sheet is a 'snapshot' of the authority's financial positon at a specific point in time, showing what it owns and owes at 31st March.The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are 'Usable Reserves' i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve 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 amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences in the Movement in Reserve Statement line 'adjustments between accounting basis and funding basis under regulations'.

31 March 2013			As at 31 March 2014	
Authority			Authority	
£'000			£'000	£'000
58,266	Property, Plant & Equipment	12		56,837
129	Intangible Assets	17		162
1,614	Heritage Assets	19		1,619
587	Investment in Joint Venture	47		592
2	Long Term Investments	20		6,648
565	Long Term Debtors	21		495
61,163	**TOTAL LONG TERM ASSETS**			**66,353**
35,515	Short Term Investments	20	29,057	
107	Inventories		83	
6,161	Short Term Debtors	22	5,809	
3,355	Cash & Cash Equivalents	23	6,854	
45,138	**CURRENT ASSETS**			**41,803**
(3,145)	Short Term Creditors	24	(3,902)	
(3,145)	**CURRENT LIABILITIES**			**(3,902)**
(25)	Provisions	25		(950)
(2,568)	Developers Contributions Deferred	27		(2,719)
(90)	Long Term Liabilities - Creditors	26		(42)
(267)	Long Term Liabilities - Finance Lease	43		(349)
(68,474)	Liability related to defined benefit pension schemes	45		(61,814)
(71,424)	**LONG TERM LIABILITIES**			**(66,874)**
31,732	**NET ASSETS**			**38,380**
(48,826)	Usable Reserves	28		**(50,901)**
(587)	Usable Reserve - Share in Joint Venture			**(592)**
17,681	Unusable Reserves	29		**13,113**
(31,732)	**TOTAL RESERVES**			**(38,380)**

I confirm these accounts were approved by the Audit Committee at the meeting held on 23 September 2014.

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 (i.e. borrowing) to the authority.

Year Ended 31 March 2013		Year Ended 31 March 2014
£'000		£'000
(4,147)	Net surplus or deficit on the provision of services	(3,396)
5,841	Adjustments to net surplus or deficit on the provision of services for non cash movements (note 31)	8,568
(3,217)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (note 31)	(2,774)
(1,523)	**Net cash flows from operating activities**	2,398
1,456	Investing Activities (note 32)	(62)
(191)	Financing Activities (note 33)	1,163
(258)	**Net increase or decrease in cash and cash equivalents**	3,499
3,613	Cash and Cash Equivalents (including bank overdraft) at 1 April (note 23)	3,355
3,355	**Cash and Cash Equivalents at 31 March (note 23)**	6,854

Notes to the Accounts

1. PRIOR PERIOD ADJUSTMENTS

IAS19 Employee Benefits (as amended in 2011)

There has been extensive revisions made to the 2013/14 Code of Practice (England and Wales) on Local Authority Accounting to incorporate the IAS19 (June 2011) Amendments. These amendments are designed to provide users of the financial statement with a much clearer picture of our current and future obligations resulting from the provision of defined benefit pension plans and how these obligations affect our financial position, finanicial performance and cashflows.

As a result of these revisions, it is necessary to alter the way Employee Benefits are disclosed. This means that some restatements are required for the comparative figures. Although there has been no need to restate the Balance Sheet as they do alter the overall Pension Liability, there is a need to amend the other Primary Statements. The restatements do not affect the Council's general fund balances.

The following restatements are required:

Restatement of Comprehensive Income and Expenditure Statement:

	2012/13 Statements £'000	Adjustment made £'000
Net Cost of Services		
Central Services	(496)	8
Cultural and Related Services	4,197	(1)
Environmental & Regulatory Services	8,496	(1)
Planning Services	4,272	(21)
Highways and Transport Services	(412)	(39)
Housing Services	1,669	(1)
(Surplus)/Deficit on Provision of Services	1,655	955
Financing and Investment Income and Expenditure		
Other Comprehensive Income and Expenditure		
Remeasurement of the New Defined Benefit Liability	(36)	(900)

Restatement of Movement in Reserves Statement:

	2012/13 Statements £'000	Adjustment made £'000
Movement in Reserves during 2012/13 - Usable Reserves		
(Surplus)/Deficit on the provision of services	3,247	900
Adjustments between accounting basis and funding basis under regulation	(4,511)	(900)
Movement in Reserves during 2012/13 - Unusable Reserves		
(Surplus)/Deficit on the provision of services	(3,853)	(900)
Adjustments between accounting basis and funding basis under regulation	5,669	900

Restatement of Cashflow Statement:

	2012/13 Statements £'000	Adjustment made £'000
Net Cashflows from Operating Activities		
Net Surplus or deficit on the provision of services	(3,247)	(900)
Adjustment to net surplus or deficit on the provion of services for non-cash movements	4,941	900

Lufton 2000

The joint venture Lufton 200 (with the purpose of purchasing and developing land at Lufton) was set up between the Authority and Abbey Manor Development Limited in 1999 with each holding a 50% interest and equal share of profits or losses. Up until now, the Authority has not shown their share of this Joint Venture in their accounts.

Restatement of Comprehensive Income and Expenditure Statement:

	2012/13 Statements £'000	Adjustment made £'000
Other Comprehensive Income and Expenditure		
Share of Other Income and Expenditure of Joint Venture	0	(7)

Restatement of Balance Sheet:

	2012/13 Statements £'000	Adjustment made £'000
Long Term Assets		
Investment in Joint Venture	0	587
Usable Reserves		
Authority's Share of Reserves of Joint Venture	0	(587)

Restatement of Movement in Reserves Statement:

	2012/13 Statements £'000	Adjustment made £'000
Usable Reserves - Authority's Share of Reserves of Joint Venture		
Balance as at 31 March 2012	**0**	**(580)**
Other Comprehensive Income and Expenditure	0	(7)
Balance as at 31 March 2013	**0**	**(587)**

2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies, 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 convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. SSDC will include deposits in Money Market Funds and Business Reserves in Cash Equivalents.

- Whether to componentise non-current assets

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

- Whether to recategorise non-current assets to Heritage Assets

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

- Whether insurance valuations are used rather than professional valuations

  Insurance valuations are considered appropriate. The potential costs of professional valuations are of no benefit since such assets will never be sold only for if lost, stolen or broken.

- Whether to produce group accounts

  The authority has reviewd its relationship with other entities and conclude that although Lufton 2000 would fall under Group Accounts, that the values are not material and will included as an investmetn on the Authoirty's accounts.

- Whether Plant, Property and Equipment requires valuation every year

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

3. 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 2014 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 £202k 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 £6.18 million to the provision needed.
Arrears	At 31 March 2014, the Authority had a balance for sundry debtors of £2.06million. A review of significant balances suggested that an impairment of doubtful debts of £735k 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 £735k to set aside as an allowance.

4. EXCEPTIONAL ITEMS OF INCOME AND EXPENDITURE

There were no exceptional items of income and expenditure during 2013/14..

5. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Assistant Director - Finance & Corporate Services on 23 September 2014. Events taking place after this date are not reflected in the financial statements or notes.

6. 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 accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

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

General Fund Balance
The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Capital Receipts Reserve
The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied
The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2013/14	**Usable Reserves**			
	General Fund Balance	**Capital Receipts Reserves**	**Capital Grants Unapplied**	**Movement in Unusable Reserves**
	£'000	**£'000**	**£'000**	**£'000**
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	(1,776)			1,776
Revaluation losses on Property, Plant and Equipment	(1,208)			1,208
Capital grants and contributions applied	895		655	(1,550)
Capital grants and contributions unapplied	145		(145)	0
Revenue expenditure funded from capital under statute	(1,760)			1,760
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	1,297			(1,297)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	173			(173)
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure		(1,771)		1,771
Use of the Capital Receipts Reserve to finance new capital expenditure		2,340		(2,340)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(6)	6		0

2013/14	Usable Reserves			
	General Fund Balance	Capital Receipts Reserves	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustment involving the Financial Instruments Adjustments Accounts				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chsargeable in the year in accordance with statutory requirements	(15)			15
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 44)	(5,927)			5,927
Employer's pensions contributions and direct payments to pensioners payable in the year	2,156			(2,156)
Adjustments involving the Collection Fund Adjustments Account:				
Amount by which council tax income and non-domestic rates credited to the Comprehensive Income and Expenditure Statement is different from council tax income and non-domestic rates calculated for the year in accordance with statutory requirements	(554)			554
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	24			(24)
TOTAL ADJUSTMENTS	**(6,556)**	**575**	**510**	**5,471**

2012/13 comparative figures (Restated)	Usable Reserves			
	General Fund Balance	Capital Receipts Reserves	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	(2,119)			2,119
Revaluation losses on Property, Plant and Equipment				
Amortisation of intangible assets				0
Capital grants and contributions	1,396		52	(1,448)
Capital grants and contributions unapplied	640		(640)	0
Revenue expenditure funded from capital under statute	(2,059)			2,059
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	148			(148)
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	440	(1,277)		837
Use of the Capital Receipts Reserve to finance new capital expenditure		1,594		(1,594)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(13)	13		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	(22)			22
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 44)	(6,413)			6,413
Employer's pensions contributions and direct payments to pensioners payable in the year	2,530			(2,530)

2012/13 comparative figures	Usable Reserves			
	General Fund Balance	Capital Receipts Reserves	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
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	(10)			10
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	71			(71)
TOTAL ADJUSTMENTS	**(5,411)**	**330**	**(588)**	**5,669**

7. OTHER OPERATING INCOME AND EXPENDITURE

Previous Year 2012/13 £'000		Current Year 2013/14 £'000
4,032	Parish council precepts & levies	4,197
13	Payments to the Government Housing Capital Receipts Pool	6
39	(Surplus)/Deficit on Trading Undertaking (Note 36)	44
4,084	**Total Other Operating Expenditure**	**4,247**
(1,051)	Easements and other Capital Receipts	(1,557)
3,033	**Total Other Operating Income and Expenditure**	**2,690**

8. EASEMENTS AND OTHER CAPITAL RECEIPTS

The Council received £1,429,000 in Right to Buy Receipts (compared to £981,000 in 2012/13) and a further £128,000 in other capital receipts (£70,000 in 2012/13).

9. NET LOSS ON DISPOSAL OF FIXED ASSETS

The net loss on disposal of fixed assets amounted to £260,000 (compared to £611,000 in 2012/13).

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

Previous Year 2012/13 £'000		Current Year 2013/14 £'000
24	Interest payable and similar charges	32
2,066	Pensions interest cost and expected return on pensions assets	2,994
2,090	**Total Financing and Investment Expenditure**	**3,026**
(425)	Interest receivable and similar income	(436)
1,665	**Total Financing and Investment Income and Expenditure**	**2,590**

11. TAXATION AND NON SPECIFIC GRANT INCOME

Previous Year 2012/13 £'000		Current Year 2013/14 £'000
(13,243)	Council tax income	(12,308)
(6,678)	Non domestic rates	(3,662)
(2,628)	Non-ringfenced government grants	(7,955)
(22,549)	**Total Taxation and Non Specific Grant Income**	**(23,925)**

12. PROPERTY, PLANT AND EQUIPMENT

Movements in 2013/14:

	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infra-structure Assets £'000	Com-munity Assets £'000	Surplus Assets £'000	Total Property Plant & Equip-ment £'000
Cost or Valuation						
As at 1 April 2013	56,008	5,924	769	680	479	**63,860**
Additions	1,336	958	49			**2,343**
Disposals	(271)	(303)			(36)	**(610)**
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	(368)	(7)		0	(61)	**(436)**
Revaluation Increases/(decreases) recognised in the Surplus/deficit on the Provision of Services	(2,330)	(479)			(59)	**(2,868)**
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	51					**51**
Assets reclassified (to)/from Heritage Assets						
Reclassification - Other	238	(93)			(145)	**0**
As at 31 March 2014	**54,664**	**6,000**	**818**	**680**	**178**	**62,340**
Accumulated Depreciation						
As at 1 April 2013	(3,469)	(2,027)	(47)	0	(51)	**(5,594)**
Depreciation charge	(1,043)	(667)	(13)	0	(7)	**(1,730)**
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,255	330			24	**1,609**
Derecognition - Disposals	42	166			4	**212**
Derecognition - Assets reclassified (to)/from Heritage Assets	(15)				15	**0**
Derecognition - Reclassification	(93)	93				**0**
As at 31 March 2014	**(3,323)**	**(2,105)**	**(60)**	**0**	**(15)**	**(5,503)**
Net Book Value						
At 31 March 2014	**51,341**	**3,895**	**758**	**680**	**163**	**56,837**
At 31 March 2013	**52,539**	**3,897**	**722**	**680**	**428**	**58,266**

Comparative Movements in 2012/13:

	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infra-structure Assets £'000	Com-munity Assets £'000	Surplus Assets £'000	Total Property Plant & Equip-ment £'000
Cost or Valuation						
As at 1 April 2012	53,088	5,984	769	680	211	**60,732**
Adjustment from previous year	790	745				**1,535**
Additions	(925)	(525)				**(1,450)**
Disposals						
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	3,819	(280)				**3,539**
Revaluation Increases/(decreases) recognised in the Surplus/deficit on the Provision of Services	(496)					**(496)**
Assets reclassified (to)/from Held for Sale						
Assets reclassified (to)/from Heritage Assets						
Reclassification - Other	(268)				268	**0**
As at 31 March 2013	**56,008**	**5,924**	**769**	**680**	**479**	**63,860**
Accumulated Depreciation						
As at 1 April 2012	(2,785)	(2,038)	(34)	0	(4)	**(4,861)**
Adjustment from previous year	(979)	(657)	(13)		(15)	**(1,664)**
Depreciation charge						
Depreciation written out to the Revaluation Reserve						
Depreciation written out to the Surplus/Deficit on the Provision of Services	161	306				**467**
Impairment losses/(reversals) recognised in the Revaluation Reserve						
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services						
Derecognition - Disposals	102	362				**464**
Assets reclassified (to)/from Heritage Assets						
Derecognition - Reclassification	32				(32)	
As at 31 March 2013	**(3,469)**	**(2,027)**	**(47)**	**0**	**(51)**	**(5,594)**
Net Book Value						
At 31 March 2013	**52,539**	**3,897**	**772**	**680**	**428**	**58,266**
At 31 March 2012	**50,303**	**3,946**	**735**	**680**	**207**	**55,871**

13. 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

14. 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. This year the external independent valuer was Charles Cox, MRICS, District Valuer – in accordance with the Statements of Asset Valuation Practice and Guidance Notes of The Royal Institute of Chartered Surveyors. Not all assets are inspected each year, as this is neither practicable nor considered by the valuer to be necessary for the purposes of the valuation. The basis of valuation is as set out in the Statement of Accounting Policies. The effective date of revaluation is 1st April 2013.

15. CAPITAL COMMITMENTS

There were no significant capital contracts that South Somerset District Council had entered into as at the 31 March 2014.

16. CONSTRUCTION CONTRACTS

At 31 March 2014 the Authority had no construction contracts in progress.

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

	31 March 2013	**31 March 2014**
	Software £'000	**Software £'000**
Balance at start of year:		
• Gross carrying amounts	395	458
• Accumulated amortisation	(209)	(329)
Net carrying amount at start of year	**186**	**129**
Additions	63	84
Disposals	0	(5)
Amortisation for the period	(120)	(46)
Amortisation on disposal	0	0
Net Carrying amount at end of year	**129**	**162**
Comprising:		
• Gross carrying amounts	458	537
• Accumulated amortisation	(329)	(375)
Total Intangible Assets	**129**	**162**

18. INVESTMENT PROPERTIES

The Authority currently do not hold investment properties.

19. HERITAGE ASSETS

Restated 31 March 2013 £'000		31 March 2014 £'000
1,614	Balance at start of year	1,614
0	Revaluations / (Impairments)	5
1,614	**Total Heritage Assets**	**1,619**

20. LONG AND SHORT TERM INVESTMENTS

The investments as at 31 March 2014 consist of:

31 March 2013 £'000		31 March 2014 £'000
	Long Term Investments	
0	Euro Sterling and World Bonds > 1 year to maturity	4,646
0	Term Deposits > I year to maturity	2,000
2	Government Stocks	2
2	**Total Long Term Investments**	**6,648**
	Short Term Investments	
18,515	Euro Sterling and World Bonds < 1 year to maturity	17,057
17,000	Term Deposits < 1 year to maturity	12,000
35,515	**Total Short Term Investments**	**29,057**
35,517	**Total Investments**	**35,705**

21. LONG TERM DEBTORS

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

31 March 2013 £'000		31 March 2014 £'000
158	Loans agreed under SSDC loans policy	99
41	Mortgages	26
293	Right to receipts - long term lease	290
73	Car/bike/learning loans	58
0	Other Long Term Debtors	22
565	**Total Long Term Debtors**	**495**

Further information relating to long term debtors is contained within Note 31 on Financial Instruments.

22. SHORT-TERM DEBTORS

31 March 2013 £'000		31 March 2014 £'000
1,642	Other Government Bodies	834
697	Other Local Authorities	484
2	NHS Bodies	2
88	Public Corporations and Trading Funds	0
3,732	Other Entities and Individuals	4,489
6,161	**Total Short-term Debtors**	**5,809**

23. CASH AND CASH EQUIVALENTS

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

31 March 2013 £'000		31 March 2014 £'000
9	Cash held by the Authority	9
(464)	Bank current accounts	(845)
3,810	Short-term deposits with Business Reserve accounts and Money Market Funds	7,690
3,355	**Total Cash and Cash Equivalents**	**6,854**

24. SHORT-TERM CREDITORS

31 March 2013 £'000		31 March 2014 £'000
(416)	Other Government Bodies	(257)
(350)	Other Local Authorities	(621)
(3)	NHS Bodies	0
0	Public Corporations and Trading Funds	0
(2,376)	Other Entities and Individuals	(3,024)
(3,145)	**Total Short-term Creditors**	**(3,902)**

25. LONG TERM LIABILITIES - CREDITORS

31 March 2013 £'000		31 March 2014 £'000
(90)	Long-term Liabilities - Creditors	**(42)**
(90)	**Total Long-term Liabilities - Creditors**	**(42)**

The long-term liabilities - creditors relates to garden waste income for 2014/15 which was paid in advance.

26. PROVISIONS

31 March 2013 £'000		Additional Provisions in 2013/14	Applied Provisions in 2013/14	31 March 2014 £'000
25	MMI	0	25	0
0	NNDR Provisions for Appeals	(950)	0	(950)
25		**(950)**	**25**	**(950)**

27. DEVELOPERS CONTRIBUTION DEFERRED

31 March 2013 £'000		31 March 2014 £'000
(2,601)	Balance at start of year	(2,568)
(1,103)	Additional Deposits	(436)
1,136	Applied Deposits	285
(2,568)	**Total Developers Contribution Deferred**	**(2,719)**

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

28. USABLE RESERVES

31 March 2013 £'000		31 March 2014 £'000
(4,353)	General Fund Balance	(5,708)
(6,629)	Earmarked Reserves	(8,435)
(36,971)	Capital Receipts Reserve	(36,396)
(873)	Capital Grants Unapplied	(362)
(587)	Authority's Share of Joint Venture	(592)
(49,413)	**Total Usable Reserves**	**(51,493)**

Capital Receipts Reserve

31 March 2013 £'000		31 March 2014 £'000
(37,301)	Balance of Usable Receipts at 1 April	(36,971)
(1.277)	Receipts from Sale of Assets	(1,771)
1,594	Receipts applied to finance Capital Expenditure	2,340
13	Amount payable to the housing capital receipt pool	6
(36,971)	**Total Capital Receipts Reserve**	**(36,396)**

Capital Grants Unapplied

31 March 2013 £'000		31 March 2014 £'000
(285)	Balance at start of year	(873)
(640)	Additional Capital Grants recognised through Comprehensive Income and Expenditure Statement	(145)
52	Applied Deposits	656
(873)	**Total Capital Grants Unapplied**	**(362)**

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 2013/14. All earmarked reserves are revenue balances.

	Balance as at 31 March 2012 £'000	Transfers in 2012/13 £'000	Transfers out 2012/13 £'000	Balance as at 31 March 2013 £'000	Transfers in 2013/14 £'000	Transfers out 2013/14 £'000	Balance as at 31 March 2014 £'000
Capital Fund	(1,663)	(160)	0	(1,823)	(94)	0	(1,917)
Cremator Replacement Reserve	(300)	0	0	(300)	0	0	(300)
Burial CAMEO Reserve	(330)	(33)	0	(363)	0	0	(363)
Elections Reserve	(72)	(39)	0	(111)	(83)	0	(194)
Community Projects Reserve	(8)	0	5	(3)	0	3	0
Risk Management Reserve	(12)	0	0	(12)	0	0	(12)
Wincanton Sports Centre Reserve	0	(21)	0	(21)	0	0	(21)
Athletics Track Repairs	(44)	(18)	0	(62)	(17)	0	(79)
Local Plan Inquiry Reserve	(115)	(10)	1	(124)	0	83	(41)
Town Centre Management	(6)	0	6	0	0	0	0
Planning Delivery Reserve	(74)	(29)	43	(60)	0	28	(32)
Save to Earn Reserve	(50)	0	0	(50)	0	0	(50)
Bristol to Weymouth Rail Reserve	(18)	0	1	(17)	(7)	2	(22)
Local Authority Business Growth Initative Reserve	(37)	0	0	(37)	0	0	(37)
Yeovil Vision Reserve	0	(80)	0	(80)	(10)	0	(90)
Voluntary Redundancy/ Retirement Fund	(538)	0	176	(362)	(89)	18	(433)
Insurance Fund	(44)	(5)	3	(46)	(6)	4	(48)
Treasury Management Reserve	(500)	0	0	(500)	0	500	0
Revenue Grant Reserve	(381)	(273)	109	(545)	(238)	236	(547)
Eco-Town Reserve	(119)	(6)	0	(125)	0	0	(125)
Housing Benefits Reserve	(328)	(247)	146	(429)	(187)	39	(577)
Closed Churchyards Reserve	(14)	0	4	(10)	0	2	(8)
Deposit Guarantee Claims Res	(18)	(3)	0	(21)	0	4	(17)
Park Homes Replacement Reserve	(49)	(23)	0	(72)	(32)	0	(104)
Community Justice Panel	(27)	0	27	0	0	0	0
New Homes Bonus	(714)	(1,278)	726	(1,266)	(468)	52	(1,682)
Car Park Income	(8)	(17)	0	(25)	0	20	(5)
Health Inequalities	(48)	(44)	39	(53)	(18)	43	(28)
Planning Obligations Administration Reserve	(12)	(13)	0	(25)	(6)	0	(31)
Local Strategic Partnership Reserve	0	(62)	0	(62)	(9)	0	(71)
Artificial Grass Pitch Reserve	0	0	0	0	(21)	0	(21)
Business Support Scheme	0	0	0	0	(500)	120	(380)
Flooding Reserve	0	0	0	0	(100)	0	(100)
Sharing Office Space Reserve	0	0	0	0	(100)	12	(88)
Infrastructure Reserve	0	0	0	0	(1000)	0	(1,000)
Into Somerset	(21)	(4)	0	(25)	0	13	(12)
Total Reserves	**(5,550)**	**(2,365)**	**1,286**	**(6,629)**	**(2,985)**	**1,179**	**(8,435)**

29. UNUSABLE RESERVES

31 March 2013 £'000		31 March 2014 £'000
(17,023)	Revaluation Reserve	(16,186)
7	Available for Sale financial Instruments Reserve	(45)
(33,643)	Capital Adjustment Account	(32,904)
(50)	Financial Instruments Adjustment Account	(34)
68,474	Pensions Reserve	61,814
(37)	Collection Fund Adjustment Account	517
314	Accumulating Compensated Absences Adjustment Account	289
(361)	Deferred Capital Receipts	(338)
17,681	**Total Unusable Reserves**	**13,113**

Revaluation Reserve

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

31 March 2013 £'000		31 March 2014 £'000
(13,661)	Revaluation Reserve at 1 April	(17,023)
(4,159)	Revaluation gains on fixed assets	(585)
314	Downward revaluation on fixed assets	1,017
356	Disposals of fixed assets	14
127	Current value depreciation transferred to Capital Adjustment Account	391
(17,023)	**Total Revaluation Reserve**	**(16,186)**

Available-for-Sale Financial Instruments Reserve

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

31 March 2013 £'000		31 March 2014 £'000
(3)	Balance as at 1 April	7
17	Loss on derecognition/maturity	(8)
(7)	Revaluation of Assets at 31 March	(44)
7	**Total Available-for-Sale Financial Instruments Reserve**	**(45)**

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, impairment losses and amortisation 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 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 5 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

31 March 2013			31 March 2014	
£'000	**£'000**		**£'000**	**£'000**
	(34,976)	Balance at 1 April		**(33,643)**
(1,594)		Capital Expenditure financed from Capital Receipts	(2,340)	
(127)		Current value depreciation transferred from Revaluation Reserve	(391)	
(148)		Minimum Revenue Provision	(173)	
(1,448)		Capital Grants and Contributions Applied	(1,550)	
	(3,317)	Less:		**(4,454)**
2,059		Write down of Revenue Expenditure funded from Capital under Statute	1,761	
407		Carrying amount of assets disposed	388	
1,784		Depreciation	1,776	
335		Impairment	1,208	
65		Repayment of capital loans	60	
	4,650			**5,193**
	(33,643)	**Total Capital Adjustment Account**		**(32,904)**

Deferred Capital Receipts

31 March 2013 £'000		31 March 2014 £'000
(389)	Balance at start of year	(361)
25	Repayment of mortgages on sale of Council Houses	28
3	Right to Receipt	(5)
(361)	**Total Deferred Capital Receipts**	**(328)**

Financial Instruments Adjustment Account

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

31 March 2013 £'000		31 March 2014 £'000
(72)	Balance at start of year	(50)
9	Soft Loans advanced revalued to Net Present Value	7
(2)	Interest on Soft Loans credited to Income & Expenditure Account	(6)
15	Discount on early repayment of loan	15
(50)	**Total Financial Instruments Adjustment Account**	**(34)**

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.

31 March 2013 Restated £'000		31 March 2014 £'000
65,527	Balance at start of year	68,474
3,883	Contribution from General Fund	3,772
(936)	Actuarial (Gain)/Loss	(10,432)
68,474	**Total Pensions Reserve**	**61,814**

Collection Fund Adjustment Account
The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

31 March 2013 £'000		31 March 2014 £'000
(47)	Balance at start of year	(37)
0	Collection Fund Adjustment in year for Council Tax	(231)
10	Collection Fund Adjustment in year for non-domestic rates	785
(37)	**Total Collection Fund Adjustment Account**	**517**

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 2013 £'000			31 March 2014 £'000	
	385	**Balance at start of year**		314
(385)		Settlement or cancellation of accrual made at the end of preceding year	(314)	
314		Amounts accrued at the end of the current year	290	
	(71)	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		(24)
	314	**Total Accumulating Compensated Absences Adjustment Account**		**290**

30. FINANCIAL INSTRUMENTS

The authority's accounting policies relating to financial instruments are in accordance with the 2013/14 Code of Practice on Local Authority Accounting, 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 2013			31 March 2014	
Long Term £'000	**Current £'000**		**Long Term £'000**	**Current £'000**
565	18,149	Loans & Receivables	2,495	12,128
2	17,515	Available-for-sale financial assets	4,648	17,057
0	3,355	Cash and Cash Equivalents	0	6,854
0	885	Trade Debtors	0	1,325
567	**39,904**	**Total Financial Assets**	**7,143**	**37,364**
(90)	(2,100)	Trade Creditors	(42)	(1,287)
0	(236)	Capital Creditors	0	(123)
(267)	(120)	Finance Lease	(349)	(163)
(357)	**(2,456)**	**Total Financial Liabilities at amortised cost**	**(391)**	**(1,573)**

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 2014	**Financial Liabilities**	**Financial Assets**		**Total**
	Liabilities measured at amortised cost £'000	**Loans and receivables £'000**	**Available-for-sale assets £'000**	**£'000**
Interest expense	32	0	0	
Losses on derecognition	0	0	0	
Interest payable and similar charges	32			32
Interest income		347	90	
Gains on derecognition		0	0	
Interest and investment income		**347**	**90**	437
Gains on revaluation	0	0	(71)	
Losses on revaluation	0	0	20	
(Surplus)/Deficit arising on revaluation of financial assets	0	0	**(51)**	
Total Net (gain)/loss for the year	32	347	39	

For the purpose of comparison, the gains and losses recognised in the Comprehensive Income & Expenditure Statement in relation to financial instruments for 2012/13 are made up as follows:

31 March 2013	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	24			
Interest payable and similar charges	24			24
Interest income Gains on derecognition		(377)	(48)	(425)
Interest and investment income		**(377)**	**(48)**	
Gains on revaluation Losses on revaluation			(7) 17	
(Surplus)/Deficit arising on revaluation of financial assets			**10**	
Total Net (gain)/loss for the year	24	(377)	(38)	

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 2013 £'000	Fair Value 31 March 2013 £'000		Carrying Amount 31 March 2014 £'000	Fair Value 31 March 2014 £'000
18,714	18,714	Loans and receivables	14,623	14,623

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 reports are made to the Audit Committee and twice a year to Full Council. 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. The Council's strategy for investments was based upon minimising risk and safeguarding the capital sum. This was maintained by following the Authority's counterparty policy as set out in its Treasury Management Strategy Statement for 2013/14 which defined "high credit quality" organisations as those having a long-term credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher.

Investments with banks and building societies were primarily fixed-rate term deposits and certificates of deposit. The maximum duration of these investments was 12 months in line with the prevailing credit outlook during the year as well as market conditions. In addition, the Authority invested £4m with organisations and pooled funds without credit ratings, these included Payden and CCLA (Property fund) following external assessment and advice from the Authority's treasury management adviser, Arlingclose.

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 2014 for these investments is nil. (Nil for 2012/13). 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 2013 £'000		**Nominal Amount invested at 31 March 2014 £'000**	**Historical experience of default %**	**Historical experience adjusted for market conditions at 31 March 2014 %**	**Estimate maximum exposure to default and non collection at 31 March 2014 £'000**
0	Deposits with Banks & Financial Institutions	27,190	0	0	0
0	Deposits with other Local Authorities	5,000	0	0	0
0	Bonds/Gilts	10,752	0	0	0
1,287	Customers	2,065	35.6	35.6	735
1,287	**Total maximum exposure to default and non collection**	**45,007**			**735**

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

31 March 2013 Trade Debtors not Impaired £'000		31 March 2014 Trade Debtors £'000	31 March 2014 Impairment £'000	31 March 2014 Trade Debtors not Impaired £'000
427	Under 60 Days	724	0	724
22	61 - 120 Days	155	0	155
324	121 - 365 Days	384	178	206
28	Over 1 Year	807	567	240
801	**Total Trade Debtors not Impaired**	**2,070**	**745**	**1,325**

Liquidity Risk

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

Market risk – Interest rate risk

The 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 Comprehensive Income and Expenditure Statement 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. The policy is to have up to 100% of investments in variable rate instruments to cover against market fluctuations.

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 2014, if interest rates had been 1% higher with all other variables held constant, there would have been an increase in interest receivable on investments of approximately £509,678.

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 denominated in Pound Sterling.

31. CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

Previous Year 2012/13 £'000		Current Year 2013/14 £'000
(502)	Interest received	342
(24)	Interest paid	(32)
(526)	**Net Cash Flows from Operating Activities Relating to Interest**	**310**

Previous Year 2012/13 £'000		Current Year 2013/14 £'000
1,784	Depreciation and amortisation	1,776
335	Impairment and downward valuations	1,208
1,251	Increase/decrease in creditors	526
(681)	Increase/decrease in debtors	(96)
39	Increase/decrease in inventories	24
2,983	Movement in pension liability	3,771
638	Carrying amounts of non-current assets and non-current assets held for sale, sold or derecognised	389
0	Contributions to/from provisions	925
(153)	Other non-cash items charged to the net surplus or deficit on the provision of services	(106)
6,196	**Total Adjustments for Non-Cash Movements**	**8,417**

Previous Year 2012/13 £'000		Current Year 2013/14 £'000
(1,249)	Proceeds from the sale of property, plant and equipment and intangible assets	(1,748)
(1,968)	Any other items for which the cash effects are investing or financing cash flows	(1,026)
(3,217)	**Total Adjustments for Investing and Financing Activities**	**(2,774)**

32. CASH FLOW STATEMENT - INVESTING ACTIVITIES

Previous Year 2012/13 £'000		Current Year 2013/14 £'000
(1,270)	Purchase of property, plant and equipment, investment property and intangible assets	(2,543)
(88,202)	Purchase of short-term and long-term investments	(53,232)
(91)	Other payments for investing activities	(88)
1,125	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,248
87,715	Proceeds from sale of short-term and long-term investments	53,205
2,179	Other receipts from investing activities	1,348
1,456	**Net Cash Flows from Investing Activities**	**(62)**

33. CASH FLOW STATEMENT - FINANCING ACTIVITIES

Previous Year 2012/13 £'000		Current Year 2013/14 £'000
15	Cash receipts of short and long-term borrowing	15
(58)	Other receipts from financing activities	1,321
(148)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(173)
0	Other payments for financing activities	0
(191)	**Net Cash Flows from Financing Activities**	**1,163**

34. 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 2013/14	Chief Executive Directorate £'000	Operations & Customer Focus £'000	Place & Performance £'000	TOTAL £'000
Fees, charges & other service income	(1,480)	(8,977)	(1,982)	(12,439)
Government Grants	(47,542)	(764)	(321)	(48,627)
Total Income	**(49,022)**	**(9,741)**	**(2,303)**	**(61,066)**
Employee expenses	4,377	6,911	3,722	15,010
Other service expenses	48,687	12,748	2,495	63,930
Total Expenditure	**53,064**	**19,659**	**6,217**	**78,940**
Net Expenditure	**4,042**	**9,918**	**3,914**	**17,874**

Directorate Income and Expenditure 2012/13 Comparative Figures	Chief Executive Directorate £'000	Operations & Customer Focus £'000	Place & Performance £'000	TOTAL £'000
Fees, charges & other service income	(1,532)	(7,688)	(1,811)	(11,031)
Government Grants	(59,002)	(1,569)	(302)	(60,873)
Total Income	**(60,534)**	**(9,257)**	**(2,113)**	**(71,904)**
Employee expenses	4,365	7,136	4,007	15,508
Other service expenses	59,726	11,817	1,170	72,713
Total Expenditure	**64,091**	**18,953**	**5,177**	**88,221**
Net Expenditure	**3,557**	**9,696**	**3,064**	**16,317**

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 2012/13 £'000		Current Year 2013/14 £'000
16,317	Net expenditure in the Directorate Analysis	17,874
4,170	Amounts reported to management not included on Costs of Services in Compehensive Income and Expenditure Statement	3,907
20,487	**Cost of Services in Comprehensive Income and Expenditure Statement**	**21,781**

Reconciliation to Subjective Analysis

This reconciliation 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.

2013/14	Directorate Analysis	Amounts not reported to management for decision making	Amounts not included in CIES	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	**£'000**	£'000	**£'000**
Fees, charges & other service income	(11,771)		2,308	(13,087)	**(22,550)**	(2,300)	**(24,850)**
Interest and Investment income	(437)	(6)	439		**(4)**	(437)	**(441)**
Income from council tax	(232)		245		**13**	(12,308)	**(12,295)**
Government grants and contributions	(48,627)		255		**(48,372)**	(11,617)	**(59,989)**
Total Income	**(61,067)**	**(6)**	**3,247**	**(13,087)**	**(70,913)**	**(26,662)**	**(97,575)**
Employee expenses	15,008	(18)	(3,144)		**11,846**	3,144	**14,990**
Other service expenses	63,907	(3,226)	4,192		**64,873**	552	**65,425**
Support Service recharges				13,087	**13,087**	86	**13,173**
Depreciation, amortisation and impairment		2,984	(89)		**2,895**	0	**2,895**
Interest Payments	24				**24**	32	**56**
Precepts & Levies			(32)		**(32)**	4,197	**4,165**
Payments to Housing Capital Receipts Pool		6	(6)		**0**	6	**6**
Gain or Loss on Disposal of Fixed Assets		260	(260)		**0**	260	**260**
Total Expenditure	**78,939**	**6**	**661**	**13,087**	**92.693**	**8,127**	**100,820**
Surplus or deficit on the provision of services	**17,872**	**0**	**3,908**	**0**	**21,780**	**(18,535)**	**3,245**

2012/13 Comparatives	Directorate Analysis	Amounts not reported to management for decision making	Amounts not included in CIES	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	**£'000**	£'000	**£'000**
Fees, charges & other service income	(10,973)		1,747	(12,050)	**(21,276)**	(1,723)	**(22,999)**
Interest and Investment income	(57)	(2)	425		**366**	(425)	**(59)**
Income from council tax			4		**4**	(13,243)	**(13,239)**
Government grants and contributions	(60,874)		2,035		**(58,839)**	(9,306)	**(68,145)**
Total Income	**(71,904)**	**(2)**	**4,211**	**(12,050)**	**(79,745)**	**(24,697)**	**(104,442)**
Employee expenses	15,508	(62)	(2,220)		**13,226**	2,220	**15,446**
Other service expenses	72,689	(2,678)	3,063		**73,074**	326	**73,400**
Support Service recharges			(236)	12,050	**11,814**	231	**12,045**
Depreciation, amortisation and impairment		2,118			**2,118**	0	**2,118**
Interest Payments	24		(24)		**0**	24	**24**
Precepts & Levies						4,032	**4,032**
Payments to Housing Capital Receipts Pool		13	(13)		**0**	13	**13**
Gain or Loss on Disposal of Fixed Assets		611	(611)		**0**	611	**611**
Total Expenditure	**88,221**	**2**	**(41)**	**12,050**	**100,232**	**7,457**	**107,689**
Surplus or deficit on the provision of services	**16,317**	**0**	**4,170**	**0**	**20,487**	**(17,240)**	**3,247**

35. TRADING OPERATIONS

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

Previous Year		Current Year		
2012/13 (Surplus)/Deficit £'000		2013/14 Expenditure £'000	2013/14 Income £'000	2013/14 (Surplus)/ Deficit £'000
(4)	Properties	289	(266)	23
36	Markets	37	(42)	(5)
84	Catering	180	(62)	118
(77)	Careline	231	(329)	(98)
39	**Total Trading Accounts**	**737**	**(699)**	**38**

36. MEMBERS' ALLOWANCES

Previous Year 2012/13 £'000		Current Year 2013/14 £'000
370	Basic Allowance	373
113	Special Responsibility Allowance	121
19	Expenses	18
502	**Total Members Allowance**	**512**

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

37. OFFICERS' REMUNERATION

During the 2013/14 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 2012/13			Remuneration Band	Number of Employees 2013/14		
Total	Left during year	Compensa-tion for loss of office		Total	Left during year	Compensa-tion for loss of office
4	0		£50,000 - £54,999	5		
6	2	Yes	£55,000 - £59,999	0		
2	0		£60,000 - £64,999	2		
1	0		£65,000 - £69,999	2	1	Yes
0	0		£70,000 - £74,999	2		
2	0		£75,000 - £79,999	0		
0	0		£80,000 - £84,999	0		
0	0		£85,000 - £89,999	0		
0	0		£90,000 - £94,999	1		
1	0		£95,000 - £99,999	1		
1	0		£100,000 - £104,999	0		

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

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 and the Assistant Directors with statutory roles.

Senior Officers Emoluments

Current Year 2013/14 Post Title	Name of officer	Salary (including Fees & Allowances) £'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	5	66	12	78

Previous Year 2012/13 Post Title	Name of officer	Salary (including Fees & Allowances) £'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	4	65	11	76

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 50% contribution to East Devon District Council, as he is paid by that authority.

Current Year 2013/14 Post Title	Salary (including Fees & Allowances) £'000	Expense Allowance £'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	**98**	18	**116**
Strategic Director (Operations & Customer Focus)	93	1	0	**94**	18	**112**
Assistant Director (Finance & Corporate Services)	71	1	0	**72**	14	**86**
Assistant Director (Legal & Corporate Services)	71	1	0	**72**	14	**86**
TOTAL	**332**	**4**	**0**	**336**	**64**	**400**

Previous Year 2012/13 Post Title	Salary (including Fees & Allowances) £'000	Expense Allowance £'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	2	**100**	17	**117**
Strategic Director (Operations & Customer Focus)	93	1	3	**97**	17	**114**
Assistant Director (Finance & Corporate Services)	70	1	2	**73**	13	**86**
Assistant Director (Legal & Corporate Services)	70	1	5	**76**	13	**89**
TOTAL	**330**	**4**	**12**	**346**	**60**	**406**

Exit Packages

The total cost of £106,000 in the table below for 2013/14 (£291,000 for 2012/13) has been charged to the authority's Comprehensive Income and Expenditure Statement in the current year.

Exit Package Costs Band (including special payments)	Number of Compulsory Redundancies		Number of Voluntary Exit Packages		Total Number of Exit Packages		Total Cost of Exit Packages	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13 £'000	2013/14 £'000
£0 - £20,000	4	1	7	6	11	7	144	70
£20,001 - £40,000	0	0	3	1	3	1	79	36
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	1	0	0	0	1	0	68	0
TOTAL	**5**	**1**	**10**	**7**	**15**	**8**	**291**	**106**

Termination Benefits

The authority terminated the contracts of 8 employees in 2013/14, incurring liabilities of £106k (£291k in 2012/13). These officers were made redundant as part of of the Authority's rationalisation of services.

38. AUDIT COSTS

In 2013/14 South Somerset District Council incurred the following fees relating to external audit and inspection:

Previous Year 2012/13 £'000		Current Year 2013/14 £'000
61	Fees payable for external audit services carried out by the appointed auditor	65
21	Fees payable for the certification of grant claims and returns	17
1	Fees payable in respect of other services provided by the Audit Commission	1
83	**Total Audit Costs**	**83**

39. 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 2013/14 £'000	Ongoing Commitment £'000
Leisure East Devon	Leisure Service	March 2016	94	236
The Hub	Resource Centre	March 2018	67	153
Somerset Waste Partnership	Refuse Collection and Support Services	October 2021	4,589	31,338
South West Audit Partnership	Internal Audit	On-going	117	106 per year *

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

40. GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14.

Previous Year 2012/13 £'000		Current Year 2013/14 £'000
2,035	Capital Grants	1,040
1,379	New Homes Bonus	2,334
0	Business Support Scheme	500
214	Troubled Families	235
224	Cost of Collection - Business Rates	223
224	Homelessness Grants	157
374	Miscellaneous Grants	799
4,450	**Total Other Government Grants**	**5,288**
56,424	Housing Benefits	45,927
134	Revenue Support Grant (UK Government)	4,832
61,008	**Total Government Grants**	**56,047**

41. RELATED PARTY TRANSACTIONS

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

Precepts from Other Local Authorities are detailed on page 69 in Note 1 to the Collection Fund and receipts from Central Government are detailed above in Note 39 to the Core Financial Statements.

Transactions to and from the Pension Fund are detailed on pages 63 to 67 in Note 44 to the Core Financial Statements.

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

Organisation	SSDC Contribution in 2013/14	SSDC Councillor
Crewkerne Aqua Centre	£600,000 loan advanced in previous years. Balance at 31st March 2014 is £150,000	Cllr A Singleton
Parrett Drainage Board	£53,073 as a special levy	Cllr R Mills Cllr P Palmer Cllr M Lewis
Huish Episcopi School Governing Body	£19,358 Grant	Cllr S Pledger
Wincanton Community Venture (Balsam Centre)	£17,561 in funding support and grant	Cllr T Carroll
South Somerset Disability Forum	£9,000 in grant	Cllr J Calvert Cllr D Norris Cllr K Turner
South West Councils	£11,993 Subscriptions & training courses	Cllr T Carroll
Yeovil District Hospital NHS Foundation Trust	£27,770 Occupational Health Service	Cllr L Boucher

42. CAPITAL EXPENDITURE AND FINANCING

Previous Year 2012/13			Current Year 2013/14	
£'000	**£'000**		**£'000**	**£'000**
	9,503	**Opening Capital Financing Requirement**		9,497
		Capital Expenditure		
63		Intangible Non-Current Assets	84	
1,100		Non-Current Assets	2,344	
2,060		Revenue Expenditure funded from Capital under Statute	1,760	
	3,223			4,188
		Sources of Finance		
(1,594)		Use of Capital Receipts	(2,340)	
(1,487)		Government Grants & Other Contributions	(1,550)	
0		Unwinding of Finance Liability	0	
(148)		Minimum Revenue Provision	(173)	
	(3,229)			(4,063)
	9,497	**Closing Capital Financing Requirement**		**9,622**

43. LEASES

Authority as Lessee

Finance Leases
The Council has acquired a number of vehicles and printers under finance leases

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31 March 2013 £'000		31 March 2014 £'000
358	Property	0
3,713	Vehicles, Plant, Furniture and Equipment	468
4,071	**Total Carrying Amount of Leases**	**468**

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:

31 March 2013 £'000		31 March 2014 £'000
383	Finance lease liabilities (net present value of minimum lease payments)	511
47	Finance costs payable in future years	32
430	**Total Minimum Lease Payments**	**543**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2013 £'000	**31 March 2014 £'000**	**31 March 2013 £'000**	**31 March 2014 £'000**
Not later than one year	136	183	120	163
Later than one year and not later than five years	269	360	255	349
Later than five years	12	0	12	0
Total Finance Lease Payments	**417**	**543**	**387**	**512**

Operating Leases

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

31 March 2013 £'000				31 March 2014 £'000		
Vehicles, Plant & Equipment	Property	**Total**		Vehicles, Plant & Equipment	Property	**Total**
5	27	**32**	Not later than one year	6	22	**28**
6	89	**95**	Later than one year and not later than five years	0	89	**89**
0	981	**981**	Later than five years	0	959	**959**
11	**1,097**	**1,108**	**Total Operating Lease Payments**	**6**	**1,070**	**1,076**

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

Previous Year 2012/13 £'000		Current Year 2013/14 £'000
	Minimum lease payments	
198	• Vehicles, Plant and Equipment	92
37	• Property	39
235	**Total Operating Lease Payments Charged to the Comprehensive Income and Expenditure Statement**	**131**

Authority as Lessor

Operating Leases

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

The Council has granted leases in respect of a number of properties (principally commercial premises and business units) which are treated as operating leases. Rental income in respect of these properties for 2013/14 totalled £403,000 (2012/13 £654,000).

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

	31 March 2013 £'000	31 March 2014 £'000
Not later than one year	32	28
Later than one year and not later than five years	94	89
Later than five years	981	959
Total Finance Lease Payments	**1,107**	**1,076**

44. IMPAIRMENT LOSSES

During 2013/14, the Authority has recognised an impairment loss of £2,227k (£581k in 2012/13). The significant impairments include £595k for car parks, £200k for Council Offices, £105k for Birchfield Recreation Ground and £96k for Public Conveniences.

The impairment losses of £1,208k have been charged to various service lines on the Comprehensive Income and Expenditure Statement and downward revaluation of £1,018k has been charged to the Revaluation Reserve.

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

Transactions Relating to Post-Employment Benefits

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 of the General Fund Balance via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Previous Year 2012/13			Current Year 2013/14	
£'000	**£'000**		**£'000**	**£'000**
		Comprehensive Income and Expenditure Statement		
		Cost of Services:		
3,375		• Current service costs	2,824	
72		• Past service and curtailment costs	40	
8		• Administration Expenses	29	
	3,455			2,893
		Financing and Investment Income and Expenditure:		
	2,958	• Net Intereset Expense		3,034
	6,413	**Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement**		**5,927**
		Other post employment benefit charged to the Comprehensive Income & Expenditure Statement		
		Remeasurement of the net defiined benefit liablity:		
	(6,913)	Return on Fund assets	(892)	
	0	Actuarial gains and losses arising on changes in demographic assumptions	4,654	
	5,974	Actuarial gains and losses arising on changes in finanical assumptions	2,674	
	0	Other actuarial gains and losses	376	
	3	Experience gain and losses on defined benefit obligation	(17,244)	
	(936)	**Total Remeasurement of Net Defined Benefit Liability**		**(10,432)**
	5,477	**Total post employment benefit charged to the Comprehensive Income and Expenditure Statement**		**(4,505)**
		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:		
(2,296)		• Employer's contributions payable to scheme	(1,921)	
(234)		• Retirement benefits payable to pensioners	(235)	
	(2,530)			**(2,156)**

Assets and Liabilities in Relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2014 are as follows:

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 2012/13		Current Year 2013/14
£'000		£'000
137,254	Present value of Funded Obligation	132,185
(71,673)	Fair Value of Assets in Scheme	(73,519)
65,581	**Net Liability**	**58,666**
2,893	Present Value of Unfunded Obligation	3,148
68,474	**Closing Balance at 31 March**	**61,814**

The liabilities show the underlying commitments that authority has in the long-run to pay retirement benefits. The toal liability of £61,814,000 has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in an overall balance of £38,380,000. 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.

Reconciliation of Present Value of the scheme liabilities

Previous Year 2012/13		Current Year 2013/14
£'000		£'000
128,674	Opening Balance at 1 April	140,147
3,375	Current service cost	2,824
5,833	Interest cost	6,219
869	Contributions by scheme participants	683
	Remeasurement gains and losses	
0	• Arising from changes in demographic assumptions	4,654
5,974	• Arising from changes in financial assumptions	2,674
3	• Experience gain/loss on defined benefit obligation	(17,244)
(4,344)	Benefits paid	(4,430)
(138)	Liabilities extinguished on settlement	0
135	Curtailment costs	40
(234)	Unfunded Pension Payments	(235)
140,147	**Closing balance at 31 March**	**135,332**

Reconciliation of Fair Value of Scheme Assets

Previous Year 2012/13		Current Year 2013/14
£'000		**£'000**
63,147	Opening balance at 1 April	71,673
2,875	Interest on Assets	3,185
	Remeasurement gains and losses	
6,913	• Return on assets less interest	892
0	• Other actuarial gains and losses	(376)
(8)	Administration expenses	(29)
2,530	Contribution by the employers	2,156
869	Contributions by scheme participants	683
(4,578)	Benefits paid	(4,665)
(75)	Payment of bulk transfer value	0
71,673	**Closing balance at 31 March**	**73,519**

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

Sensitivity Analysis

	£'000	£'000	£'000
Adjustment to discount rate	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	132,912	135,333	137,800
Projected service cost	2,432	2,490	2,549
Adjustment to long term salalry increase	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	135,679	135,333	134,990
Projected service costs	2,490	2,490	2,490
Adjustment to pension increases and deferred revaluation	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	137,493	135,333	133,214
Projected service costs	2,550	2,490	2,431
Adjustment to mortality age rating assumption	**+1 Year**	**None**	**-1 Year**
Present value of total obligation	130,704	135,333	140,001
Projected service costs	2,407	2,490	2,573

(Brackets represent liabilities on this page)

Projected Pension Expense for the year to 31 March 2015

	Year to 31 March 2015 £'000
Service Cost	2,490
Net Interest on the defined liablity	2,736
Administration expenses	30
Total	**5,256**
Employer Contributions	**2,030**

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 2013.

The principal assumptions used by the actuary have been:

31 March 2013		31 March 2014
2.6%	Rate of inflation (CPI)	2.8%
4.8%	Rate of general long-term increase in salaries	4.6%
2.6%	Rate of increase to pensions in payment	2.8%
2.6%	Rate of increase to deferred pensions	2.8%
4.5%	Discount rate	4.5%

Assumed life expectations from aged 65 (years) are:

	Males	Females
Current Pensioners	23.6	26.0
Future Pensioners (20 years from now)	25.8	28.3

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 2013	Value of total scheme as at 31 March 2013 £'000		% of total scheme as at 31 March 2014	Value of total scheme as at 31 March 2014 £'000
72	51,604	Equity investments	71	52,198
8	5,734	Government Bonds	6	4,411
11	7,884	Corporate Bonds	11	8,087
8	5,734	Property	10	7,352
1	717	Cash	2	1,470
100	**71,673**		**100**	**73,519**

46. CONTINGENT LIABILITIES

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

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

The Council has made a provision for Business Rates Appeals based upon its best estimates of the actual liability as at 31st March 2014 in known appeals. It is not possible to quantify appeals that have not yet been lodged with the Valuations Office so there is a risk to the Council that national and local appeals may have a future impact on the accounts.

South West Audit Partnership became a company limited by guarantee on 1st April 2013. SSDC has guaranteed the Somerset Pension fund deficit relating to ex-employees to a value of £149,000. The nursery that was run by South Somerset District Council has now transferred to Mama Bears. The Council has guaranteed £36,000 to the Somerset Pension fund.

South Somerset District Council is a defendant in proceedings brought by a group of Property Search Companies for refunds of fees paid to the Council to access land charges data. In the current litigation the Council has already recently settled a claim of £10,109 plus interest and costs. A second group of Property Search Companies are also seeking to claim refunds although no proceedings have yet been issued. The Council has been informed that the value of those claims at present is £106,362.83 plus interest and costs. The second group of Property Search Companies have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present. It is envisaged in any event that any & all claims will be resolved without the need for formal litigation.

47. DORCAS HOUSE TRUST

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

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

Previous Year 2012/13 £'000		**Current Year 2013/14 £'000**
(24)	Total Income for the Year	(9)
(8)	Revaluation of Investments	(1)
0	Proceeds from Sale of Dorcus House	(372)
16	Total Expenditure for the Year	10
(16)	**Deficit/(Surplus) for the Year**	**(372)**

(Brackets represent income)

Dorcas House Trust holds the following reserves:

Previous Year 2012/13 £'000		**Current Year 2013/14 £'000**
1	Endowment Fund	1
65	Capital & Unrestricted Funds	438
66	**Total Reserves**	**439**

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

Collection Fund Account

INCOME AND EXPENDITURE ACCOUNT for year ended 31 March 2014

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 2012/13		Year Ended 31 March 2014		
Collection Fund £'000		**Business Rates £'000**	**Council Tax £'000**	**Collection Fund £'000**
	INCOME			
(80,779)	**Income from Council Tax**	0	(84,134)	(84,134)
(40,548)	**Income Collectable from Business Ratepayers**	(42,677)	0	(42,677)
(121,327)	**TOTAL INCOME**	**(42,677)**	**(84,134)**	**(126,811)**
	EXPENDITURE			
	Precepts and Demands			
40,324	- Central Government	20,801		20,801
62,845	- Somerset County Council	3,744	56,368	60,112
10,279	- Police and Crime Commissioner for Avon & Somerset	0	9,220	9,220
4,522	- Devon & Somerset Fire & Rescue	416	4,137	4,553
13,243	- South Somerset District Council (including Parishes)	16,649	12,081	28,730
	Transitional Protection Payments	19	0	19
	Distribution of previous year's Collection Fund surplus			
114	- Somerset County Council	0	42	42
19	- Police and Crime Commissioner for Avon & Somerset	0	7	7
8	- Devon & Somerset Fire & Rescue	0	3	3
24	- South Somerset District Council	0	9	9
	Charges to Collection Fund			
74	Write offs of uncollectable amounts	116	73	189
341	Increase / (Decrease) in bad debt	297	525	822
0	Increase / (Decrease) in Provision for Appeals	2,376	0	2,376
224	Costs of Collection	223		223
(10,615)	(Increase) / Decrease in Council Tax Benefits	0	107	107
121,402	**TOTAL EXPENDITURE**	**44,641**	**82,572**	**127,213**
75	**(SURPLUS)/DEFICIT FOR YEAR**	1,964	(1,562)	402
(320)	**Balances at Start of Year**	0	(246)	(246)
(245)	**Balances at End of Year**	**1,964**	**(1,808)**	**156**

(Brackets represent income or liabilities)

Notes to The Collection Fund

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

1. INCOME FROM COUNCIL TAX

Council Tax income is calculated by estimating the amount of income or precept required from the Collection Fund for Somerset County Council, 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 2012/13.

Tax Base						
Previous Year 2012/13					**Current Year 2013/14**	
Effective No of dwellings	Band D Equivalent	Weighting	Tax Band	Property Value (at April 1991)	Effective No of dwellings	Band D Equivalent
10	6	5/9ths	A-	disabled band	10	5
8,042	5,361	6/9ths	A	up to £40,000	8,158	5,438
19,087	14,845	7/9ths	B	between £40,001 & £52,000	19,372	15,067
13,841	12,303	8/9ths	C	between £52,001 & £68,000	14,037	12,477
10,381	10,381	1	D	between £68,001 & £88,000	10,278	10,278
8,144	9,954	11/9ths	E	between £88,001 & £120,000	8,240	10,072
4,212	6,085	13/9ths	F	between £120,001 & £160,000	4,281	6,184
1,641	2,735	15/9ths	G	between £160,001 & £320,000	1,674	2,789
139	278	18/9ths	H	Over £320,000	141	283
65,497	**61,948**				**66,191**	**62,593**
	(773)			Less adjustment for non-collection and banding reductions		(781)
	0			Less adjustment for Council Tax Reduction Scheme		(6,941)
	61,175			Council Tax Base		**54,871**

Details of the precepts are shown below

Previous Year 2012/13 £	**Precepting Authorities**	**Current Year 2013/14 £**
62,845,401	Somerset County Council	56,368,525
10,279,219	Police and Crime Commissioner for Avon & Somerset	9,220,166
4,522,080	Devon & Somerset Fire & Rescue Authority	4,136,691
9,197,818	District Council's own requirement	8,271,200
4,031,616	Total of Parish Precepts & Levies	3,809,607

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

Previous Year 2012/13 £	**Council Tax levy at Band D**	**Current Year 2013/14 £**
1,027	Somerset County Council	1,027
168	Police and Crime Commissioner for Avon & Somerset	168
74	Devon & Somerset Fire & Rescue South	75
151	Somerset District Council	151
1,420		**1,421**
65	Add Town & Parish Councils (average)	69
1,485	**Average Council Tax Levy at Band D**	**1,490**

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 2012/13	Precepting Authorities	Current Year 2013/14
£111,309,849	**National Non-Domestic Rates (NNDR)** Rateable value at 31st March	£111,422,947
	NNDR rate poundage	
45.8p	• National Multiplier	47.1p
45.0p	• Small Business multiplier	46.2p

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.

Annual Governance Statement

Scope of responsibility

SSDC is responsible for ensuring that:

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

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

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

SSDC has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework “Delivering Good Governance in Local Government”. A copy of the authority’s code can be obtained on request. This statement explains how SSDC has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

SSDC’s financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer in Local Government as set out in the Application Note to Delivering Good Governance in Local Government: Framework.

The purpose of the governance framework

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

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

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

The governance framework has been in place at SSDC for the year ended 31 March 2014 and up to the date of approval of the statement of accounts.

The governance environment

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

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

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

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

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

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

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

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

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

- An arrangement with East Devon District Council is in place for sharing 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.

- Regular meetings between the Executive members and senior management.

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

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

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

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

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

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

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

- Regular communication is made through Staff Awareness Sessions, Insite, and Team Brief.

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

- A Staff Charter was introduced in 2013/14 and training to all staff is currently in progress.

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

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

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

- The Council looks to develop skills on a continuing basis to improve performance of officers through the Staff Development and Appraisal Review process including the use of training and development plans.
- Succession planning encourages participation and development for members and officers.
- Through a comprehensive member training and development programme.
- An induction programme is in place for all new staff.
- Clear job descriptions and personal specifications are in place for all roles.
- The s151 Officer and five of the finance team are qualified accountants with several years’ experience. The finance function has sufficient resources to perform its role effectively.

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

- Area Committees ensure further local accountability and local access.
- Budget consultation has been carried out for specific savings plans and equalities assessments carried out on each proposal.
- A summarised Statement of Accounts is published each year explaining the key financial areas to the public.

Review of effectiveness

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

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

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

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

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

- The Audit Committee has a call in role for any service that receives a "partial" or "no assurance" audit opinion and monitors 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 Audit Committee 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 the Public Sector Internal Audit Standards (PSAIS). This includes an external assessment at least every five years. It requires an action plan to implement improvements and assess the efficiency and effectiveness of internal audit. This will be regularly reviewed by the Audit Committee.

- 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 review and revised periodically – the last review was approved in April 2011.

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

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

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

Already addressed from 2012/13:-

- A refresh of the Procurement Procedure Rules to clarify Equalities responsibilities and include Internal Audit recommendations.
- Complete the Fraud and Data Strategy to link all anti-fraud work.
- Retender the cash collection contract by September 2013.
- Review General Account reconciliations as part of implementation of the Cash Receipting System.

Actions for 2013/14

Brought forward from 2012/13 - a refresh of the Risk Management Strategy and reporting risk management regularly to Management Board and Audit Committee (November 2014);

Provide refresher training on Data Protection and data encryption (October 2014).

Significant governance issues

There are no significant governance issues to report for 2013/14.

However, we propose over the coming year to take steps to address the actions outlined in our review to strengthen and enhance our governance arrangements. These actions will be monitored by the Audit Committee during 2014/15.

Signed on behalf of SSDC:

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.

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

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

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

Asset
is something that South Somerset owns that has a monetary value. Assets are either ‘current’ or ‘non-current’.

- Current assets are assets that will be used, or will cease to have material value, by the end of the next financial year (e.g. stock and debtors)
- Non-current assets provide South Somerset benefits for a period of more than one year.

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

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

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

Balances
is the accumulated surplus of revenue income over expenditure.

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

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

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

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

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

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

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

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

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

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

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

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

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

Central Government Grants
comprise three types:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Fees and Charges
are the income raised by charging for the use of facilities or services.

Finance Leases
are those leases which transfer substantially the benefits and risks of ownership of the asset that is being leased to the party who is leasing the asset.

Financial Instruments
are any contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another. In practice these include bank deposits, loans, investments, borrowings and other receivables or payables.

Financial Instruments Adjustment Account
is the account which holds the differences between the amounts credited to the Comprehensive Income and Expenditure Statement in accordance with the Code and the interest income required to be credited to the General Fund in accordance with statutory regulations relating to 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, some of which is retained, and some is paid to Somerset County Council and Fire and Central Government.

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.

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

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

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

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

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

Operating Leases
are all leases which are not finance leases.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Revenue Expenditure Funded Capital under Statute
are capital grants made by SSDC to another 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.

Contact Details

For more information please contact us at:

The Council Offices
Brympton Way
Yeovil
Somerset
BA20 2HT

Telephone: 01935 462462
Fax: 01935 462188
Opening Hours: Mon - Thurs 8.45am - 5.15pm; Fri 8.45am - 4.45pm.

Or visit one of our other offices:
Holyrood Lace Mill, Boden Street, Chard
Crewkerne Community Office, Town Hall, Market Square, Crewkerne
Bow Street, Langport
Churchfields, Church Street, Wincanton
Petters House, Petters Way, Yeovil
North Street, Ilminster

Website: www.southsomerset.gov.uk or
Email: accountancy@southsomerset.gov.uk

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