# West Somerset District Council Audited Statement of Accounts 2018/19

# Contents

# Narrative Statement

**STATEMENT BY THE STRATEGIC FINANCE ADVISOR AND S151 OFFICER**

**INTRODUCTION**

Local authorities in England are required by the Accounts and Audit Regulations 2015 to publish a narrative report with the Statement of Accounts. The purpose of the Narrative Report is to provide information on the authority, its main objectives and strategies and the principal risks that it faces.

This report highlights some of the most important matters reported in the accounts and provides a management commentary on the financial performance and standing of the Council. The commentary is focussed both on the performance in the past year and on issues affecting the Council going forward particularly with regard to the formation of the new Somerset West and Taunton Council from 1 April 2019.

**WEST SOMERSET COUNCIL – KEY INFORMATION**

West Somerset is a local government district within the county of Somerset. The council covers a largely rural area, with a population of 34,900 in an area of 740 square kilometres (290 sq. mi). It is the least populous non-unitary district in England with the largest centres of population being the coastal towns of Minehead (population 10,000) and Watchet (4,400). The council's administrative headquarters are located in the village of Williton, with an additional office in Minehead.

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

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

**THE GOVERNANCE FRAMEWORK**

The governance framework consists of the systems and processes, and culture and values, by which the Council is directed and controlled and through which it accounts to, engages with and leads the community. It enables us to monitor the achievement of our objectives and to consider whether these have led to the delivery of appropriate, cost effective services.

This framework is applicable both for the current Council – West Somerset Council – and its successor from April 2019 – Somerset West and Taunton Council. As the Council improves the way it provides services, it is important that the governance arrangements are robust and flexible enough to manage this.

In order to review the effectiveness of the governance framework, assurances are provided to, and challenged by, the Audit Committee, Scrutiny Committee, Cabinet or Council as appropriate.

Further information is included in the Annual Governance Statement.

## CORPORATE STRATEGY AND PLAN

In February 2016 the Council approved its Corporate Strategy. The Strategy provides a clear direction for the Council to follow, with four key priority areas where the Council will concentrate its efforts and resources between April 2016 and March 2020.

The key elements of the Strategy are:

- Refreshed high-level Corporate Priorities for the Council
- Design principles for our organisation
- Refreshed vision
- Clarity on the role and purpose of the Council

The Corporate Strategy is not intended to capture everything that the Council does nor does it include the detail of our work and projects. That is the role of the Corporate, Operational and Individual Plans which will flow from the Corporate Strategy.

The Corporate Plan 2017-18 was approved by the Council in October 2017 and the Plan for 2018-19 was a continuation of this. It sets out our priorities and success measures we will use to monitor progress, organised into key themes of:

Key Theme 1 – People
Key Theme 2 – Business and Enterprise
Key Theme 3 – Our Place
Key Theme 4 – A Modern and Efficient Council

## DECISION MAKING AND RESPONSIBILITIES

The Council consists of 28 elected Members, with a Cabinet of Lead Members who are supported and held to account by Scrutiny Committee. Our Constitution sets out how the Council operates, how decisions are made and the procedures for ensuring that the Council is efficient, transparent and accountable to local people. It contains the basic rules governing the Council's business, and a section on responsibility for functions, which includes a list of functions which may be exercised by officers. It also contains the rules, protocols and codes of practice under which the Council, its Members and officers operate. The Constitution sets out the functions of key governance officers, including the statutory posts of Chief Executive, 'Monitoring Officer' and 'Section 151 Officer' and explains the role of these officers for ensuring that processes are in place for enabling the Council to meet its statutory obligations and also for providing advice to Members, officers and committees on staff management, financial, legal and ethical governance issues.

## MANAGING RISK

The Council's Risk Management Policy is fundamental to the system of internal control. It involves an ongoing process to identify the risks to our policies, aims and objectives and to prioritise them according to likelihood and impact. It also requires the risks to be managed efficiently, effectively and economically. All Members and managers are responsible for ensuring that risk implications are considered in the decisions they take. This is especially important as the Council goes through its Transformation programme.

Senior management meet to identify the principal risks to the Council. These risks are recorded in a Corporate Risk Register. Each Service Area also keeps a separate risk register for its area. These registers also record the controls necessary to manage the risks. The registers are regularly reviewed and challenged by senior management and by the Audit Committee. Specific assurance is sought concerning those risks associated with the key elements of the Governance Framework and that any necessary improvements to controls have been implemented. The Governance Framework cannot eliminate all risk of failure to meet the targets in our policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

## FINANCIAL MANAGEMENT

The Council has a long established record of effective financial management and managing within our means. We continue to face the challenge of designing a sustainable budget for the future in the face of further Government plans to cut public spending. The Council has worked in partnership with Taunton Deane Borough Council since 2013 to share management and staff across the two Councils. Together this partnership has resulted in efficiencies and produced annual savings of £1.8m.

In 2016 the two Councils agreed a High Level Transformation Business Case which puts the customer at its heart, and seeks to drive benefits through implementing new ways of delivering services, providing more services digitally and modernising our business processes. The Councils have also obtained agreement from both the Secretary of State and Parliament to create a new Council from April 2019 that will create a new district and Council area currently covered by the two. The financial implications for the business case were refreshed in December 2018, with the new Council and transformed services producing further savings of £3.5m per year.

West Somerset set a balanced budget for 2018/19, and the new Council has in February 2019 set a balanced budget for 2019/20 with a broadly balanced position projected throughout the 5-year Medium Term Financial Plan. The Strategic Finance Advisor and Section 151 Officer is responsible for the proper administration of the Council's financial affairs, as required by the Local Government Act 1972, and the Council's financial management arrangements are compliant with the governance requirements set out in the Chartered Institute of Public Finance and Accountancy's 'Statement on the Role of the Chief Financial Officer in Local Government' (2016).

There are robust arrangements for effective financial control through our accounting procedures, key financial systems and the Financial Regulations. These include established budget planning procedures and regular financial performance reports to Councillors. Our treasury management arrangements, where the Council invests and borrows funds to meet its operating requirements, follow professional practice and are subject to regular review.

The Council's financial statements and arrangements for securing value for money are reviewed each year by our external auditor. The Council has opted in to the Public Sector Auditor Appointments framework, as an efficient approach to procuring external audit services. Grant Thornton LLP is our appointed auditor for 2018/19.

## CREATING A NEW COUNCIL

Taunton Deane and West Somerset councils submitted an application to Government in March 2017 requesting agreement to create a new single district Council to replace the two. Following a period of consultation, the Secretary of State announced approval of this change in March 2018. This was subsequently followed by the making of the Somerset West and Taunton (Modification of Boundary Change Enactments) Regulations 2018 and the Somerset West and Taunton (Local Government Changes) Order 2018 on 25 May 2018. The new Somerset West and Taunton Council will formally come into being on 1 April 2019.

## COUNCIL'S PERFORMANCE

The challenges the Council has faced in recent years of setting a balanced budget whilst still providing an appropriate level of services to the public, have been well documented. The Council has in recent years been extremely susceptible to volatility in its business rates funding position in particular with Hinkley B power station valuations – which is the dominant business rates account in the area. Furthermore, significant changes in its rateable value can and indeed has caused large variations to the Council's annual funding.

The Council has made good progress over recent years in meeting the challenge of 'balancing the books'. Phase 1 of the Council's partnership with Taunton Deane Borough Council has contributed to the delivery of savings through efficiency in the management and staff structures since 2014. Following an earlier mandate from Councillors in January 2016, a business case was developed and the Council agreed in partnership with Taunton Deane to jointly transform the way services are delivered. This has culminated in the creation of a single new council, Somerset West and Taunton, to deliver services for both councils from 1 April 2019.

Some of the key highlights of how the Council has performed during 2018/19 are shown below:-

**Energy Infrastructure Programme**

- Community Impact Mitigation (CIM) Fund – West Somerset Council administer and make decisions on the release of the CIM Fund which was secured to help mitigate the impact of the Hinkley Point C development. The CIM Fund was launched in May 2014. In meeting its corporate objective to support and fund projects within the District £1,037,467 has been committed to West Somerset based projects in 2018/19, with a total of £3,565,688 having been committed in the District since the fund was launched.

- Economic Development and Tourism – in delivering approved initiatives in the areas of Economic Development, Land Management, Employment and Skills, and Tourism to meet its corporate objective of maximising the benefits of the Hinkley Point C project for local people and local businesses. In 2018/19 the Council has spent £145,573 leaving £1,256,281 to be spent for future years.

- Leisure – in meeting its corporate objective and after having worked with the community, the Council has approved funding for a wide variety of projects within the District to support organisations who deliver services and facilities where sports and leisure activity takes place. £665,600 has been committed to projects to date with a further £134,848 to be committed in future years.

- Housing – using contributions from EDF Energy to meet its corporate objective the Council has worked with partners to deliver additional bed spaces within the existing housing stock (empty properties, flats over shops etc) using housing initiatives, a total of £539,354 has been spent on these. The Council has also worked with a range of housing partners and developers to contribute towards the delivery of new bed spaces within new dwellings that are being built (both standard market and affordable), a total of £468,357 has been spent to deliver these initiatives. A further £277,651 is available to spend in the coming years.

**ENVIRONMENTAL**

Somerset Waste Partnership (SWP) has had another successful year, with a recycling rate of around 53% in Quarter 3 of 2018/2019 and continuing to recycle over 95% in the UK (over half staying in Somerset). SWP have increased the scope of their recycling centre contract with Viridor, enabling residents to use every recycling centre to recycle cartons/tetrapaks and plastic pots, tubs and trays. SWP remain on track to move away from landfill by 2020, with the construction of an Energy from Waste plant at Avonmouth.

SWP's key programme of work has been to procure a new collection contractor who will roll out the Recycle More service. The Somerset Waste Board has announced SUEZ recycling and recovery UK as the preferred bidder for its new collections contract. SWP, which is responsible for waste and recycling services on behalf of four district councils and the wider county council in Somerset, has been gearing up for the service change since 2017, when it agreed to end its previous contract with Keir 18 months early.

The Keir contract will come to an end on 27 March 2020, and the new contract will focus on implementing SWP's 'Recycle More' strategy, which will see residual waste collections reduced to three-weekly while extra materials (like plastic pots, tubs and trays) will be collected at the kerbside, along with pre-existing weekly dry recycling and food waste collections. It is hoped that this strategy will result in annual savings of around £1.7 million before rollout costs. Coinciding with the start of the new contract, an energy-from-waste (EfW) plant is set to open in nearby Avonmouth in 2020, with capacity to process all waste currently landfilled in Somerset.

## FINANCIAL PERFORMANCE

### Economic Environment

It has been well documented that Local Government has seen major cuts to funding over several years and 2018/19 once again presented us with a challenging budget to close. We know that Revenue Support Grant (RSG) will have almost disappeared completely by 2019/20. Overall this will mean our Settlement Funding baseline (including RSG, Rural Services Grant and Business Rates Baseline) will have reduced from £2.63m in 2013/14 to a projected £1.361m by 2019/20 – a reduction of virtually 50%. Under the business rates retention system we are currently projecting that our actual funding will exceed the baseline as we share in growth in rateable values, most notably in respect of Hinkley nuclear power station. The rateable values are determined by the Valuation Office Agency, and have proven to be volatile since the introduction of the retention system in 2013. This had made financial planning precarious and, prior to the increase of the Hinkley rateable value through the 2017 Revaluation, it was clear that the Council's financial position was unviable. Whilst the valuation increase has provided a short term boost and enabled the Council to set a balanced budget for 2018/19, this funding is not guaranteed in the medium to long term.

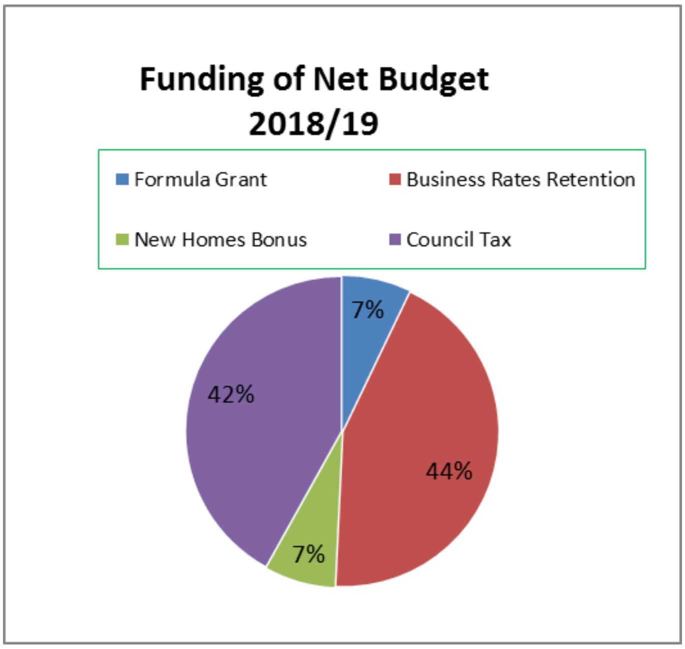
The overall funding position and trend has not come as a surprise to us and we have acted prudently to try to protect ourselves from having to make cuts that will impact adversely on the public. We know in some cases this has been unavoidable and have therefore taken steps to look at the longer-term position. This financial planning has included looking at our risk profile and maintaining adequate reserves to mitigate against, in particular, the effect of business rates appeals and, in general, to ensure we have some resilience to adhoc pressures and new service demands. Our Medium Term Financial Plan now incorporates the increase in the Hinkley B valuation on an ongoing basis, however, as part of the financial strategy for 2019/20 onwards, we identified a need to start building up reserves by at least £2m to build financial resilience for the period between Hinkley B ceasing production and Hinkley C reaching full operating capacity.

### General Fund Revenue Budget and Reserves

The Council's Net Budget for 2018/19 (excluding parish precepts) was £5.407m, representing the net cost of General Fund services funded by grants, business rates and council tax as shown in the following table and graph.

In setting the budget for 2018/19 the Council increased Council Tax by £5. This meant the annual Band D Council Tax charge for services provided by the Council rose to £155.56.

| | £000's |
|---|---:|
| Revenue support grant | 170 |
| Retained business rates | 1,964 |
| Rural Services Delivery Grant | 214 |
| Business rates Collection Fund surplus | 396 |
| New Homes Bonus | 396 |
| Council tax Collection Fund surplus | 51 |
| Council Tax income | 2,216 |
| Original Net Budget | 5,407 |




The Council's actual net expenditure in 2018/19 was £5.102m which combined with the final business rates funding, results in a reported net underspend on the final budget of £82k (1.5% of Net Budget).

The net underspend arose due to variances in several budget areas. The most significant underspends have been reported against Homelessness, Estates, Housing Benefits, and Street Cleansing. The following table provides a summary of the financial results for the year compared to budget.

| General Fund Outturn 2018/19 | Budget £'000 | Outturn £'000 | Variance £'000 | % |
|---|---|---|---|---|
| Corporate | 552 | 561 | 9 | 0.2% |
| Operations | 3,755 | 4,523 | 768 | 13.8% |
| Housing and Communities | 1,017 | 748 | (269) | (4.8%) |
| Growth and Development | 1,925 | 1,911 | (14) | (0.3%) |
| Capital Financing | (1,852) | (1,852) | 0 | |
| Interest and Investment Income | 120 | 74 | (46) | (0.8%) |
| Transfers to/(from) Earmarked Reserves | 39 | (888) | (927) | (16.6%) |
| Somerset Rivers Authority | 25 | 25 | 0 | |
| **Net Budget** | 5,581 | 5,102 | (479) | (8.6%) |
| **Funding** | (5,407) | (5,184) | 223 | 4.1% |
| **(Surplus)/Deficit for Year** | **174** | **(82)** | **(256)** | **(4.6%)** |
| Transfer from ()/to General Reserve | (174) | 82 | | |

The analysis provided by the table above shows an increased cost of Operations (£768k) as compared to the original budget. This is mainly due to redundancy costs arising from the Transformation Programme and which has been met from a transfer from Earmarked Reserves. Further information on spending on services, and other operating costs and income, is shown within the Comprehensive Income and Expenditure Statement and Notes to the Accounts.

The General Fund Reserves have increased from £898,876 at the start of the year to £981,178 at 31 March 2019. This is £281,178 above the recommended minimum balance. Later in this statement I explain the financial challenges and risks faced by the Council. Having reserves at this level provides some resilience as the Council continues to strive for a robust and sustainable financial position.

The Council also carries Earmarked Reserve balances, which represent funds that have been set aside to support specific spending in future years. The General Fund Earmarked Reserves balance at 31 March 2019 stands at £4.048m. This balance covers a wide variety of known planned spending commitments and contingencies, including: Business Rates Smoothing Reserve to mitigate funding volatility; Strategic Housing Market Area Assessment; planned investment in Transformation and Creating a New Council, and Homelessness provision with some other smaller commitments which we have prudently put aside. Although this figure appears high in relation to the Council's spending position, the majority of these Earmarked Reserves will be utilised in the medium term.

**Capital Spending and Reserves**

In addition to our spending on day-to-day service provision, the Council spends money on assets such as buildings, asset disposal costs, IT equipment and systems, and the provision of capital grants to others such as disabled facilities and decent homes grants. Capital expenditure in the year totalled £2.311m (£1.129m in 2017/18). This included spending of £1.048m on General Schemes and £1.263m on Hinkley impact mitigation schemes.

| Summary Capital Spend | £'000 | Sources of Capital Funding | £'000 |
|---|---|---|---|
| Disabled Facilities Grants | 229 | Capital Receipts | 403 |
| Steam Coast Trail | 258 | Capital Grants | 603 |
| Seaward Way Mixed Proposal | 57 | S106 General | 28 |
| Transformation | 242 | Hinkley S106 | 1,263 |
| Enterprising Minehead | 116 | Earmarked Reserves | 14 |
| S106 General | 28 | | |
| Hinkley impact mitigation projects | 1,263 | | |
| Other schemes | 118 | | |
| **Total** | **2,311** | **Total** | **2,311** |

Capital expenditure is funded from a variety of sources, as shown in the table above.

The Capital Programme has committed approved capital spending in future years of £11.556m. Overall the Council has sufficient resources available to meet its current approved capital programme but recognises that significant further funds will be required to meet any future aspirations.

Capital reserves reflect funds set aside to fund investment in capital items in future years, and largely comprise grants, contributions and capital receipts that are committed on projects to be completed in the current approved capital programme. The Council currently holds £3.147m of capital reserves (capital receipts and capital grants), providing funding for the approved capital spending referred to above. We have also had approval to borrow £3.5m in relation to Somerset Waste Partnership, which would finance a loan to them and bring us additional interest income. Under current legislation we also have the option to use our capital receipts flexibly for Transformation purposes for both capital and revenue expenditure.

**Balance Sheet**

Below is an extract from our Balance Sheet showing the position at year end and the comparison with the position last year:-

| | 31 March 2018 | 31 March 2019 |
|---|---|---|
| | **£000** | **£000** |
| Non-current assets | 12,129 | 12,214 |
| Net current assets – debtors, stock and cash less short term creditors and liabilities | 5,495 | 5,381 |
| Long term liabilities and provisions | (17,709) | (16,818) |
| **Net Assets** | **(85)** | **777** |
| Represented by: Usable reserves | 8,115 | 8,176 |
| Represented by: Unusable reserves | (8,200) | (7,399) |
| **Total Reserves** | **(85)** | **777** |

**Treasury Management**

Total cash and cash equivalents and short term investments at 31 March 2019 were £13.727m. The tables on the next page show how that balance is split between West Somerset general funds and funds provided under planning obligations by EDF for Hinkley impact mitigation.

The main factors that would affect cash in the future are:

- Acquisitions and disposals relating to the capital programme;
- The value of reserve balances;
- Business rates appeals provisions;
- Grants and contributions received in advance of related expenditure.

West Somerset Council Funds:

| | 31 March 2018 | 31 March 2019 |
|---|---:|---:|
| | **£000** | **£000** |
| Cash and other cash equivalents | 3,462 | 1,274 |
| Short term investments | 3,501 | 5,000 |
| **Total** | **6,963** | **6,274** |

Hinkley Investments:

| | 31 March 2018 | 31 March 2019 |
|---|---:|---:|
| | **£000** | **£000** |
| Cash and other cash equivalents | 0 | 411 |
| Short term investments | 9,437 | 7,042 |
| **Total** | **9,437** | **7,453** |

**Pensions**

The Council's share of the overall Pension Fund deficit has decreased from £17.342m at 31 March 2018 to £16.248m at 31 March 2019. The deficit has reduced by 6.0%, which is largely due to a change in the demographic assumptions used by the actuaries.

With the staff moving under the employment of Taunton Deane Borough Council through our working in partnership, the accounts of West Somerset Council focus on the deficit which had to be retained on the balance sheet and which is addressed by an agreed lump sum payment from the Council each year. In 2018/19 this lump sum for West Somerset is £516k and is due to rise to £528k in 2019/20 as part of the overall pension contribution of the new council.

**PRINCIPAL RISKS AND UNCERTAINTIES**

A risk management strategy is in place to identify and evaluate risks. There are clearly defined steps to support better decision making through the understanding of risks, whether a positive opportunity or a threat and the likely impact. We also use our risk register as a tool to help demonstrate and calculate our minimum acceptable level of reserves.

Risks are managed at all levels within the Council. The most serious and/or cross-cutting strategic risks are escalated to the Corporate Risk Register. The Corporate Risk Register is subject to regular review by the Joint Management Team and the risks regularly reported to the Council's Corporate Governance Committee. Each risk has an owner and is supported by actions designed to reduce uncertainty and the Council's exposure to risk.

The key areas of corporate risk at March 2019, centred on:

- Financial uncertainty / budgetary pressures
- Asset Management – regulatory compliance
- Impact of welfare reform – impact on our residents and our rental income
- Business continuity – preparedness for disaster / major incident
- Non-compliance with national law or policy
- Delivering services with a reduced staffing capacity
- Hinkley Point C – impact on local accommodation and highways, and/or Economic and Social opportunities may not be realised.

**FUTURE DEVELOPMENTS AND OUTLOOK**

During 2018/19, the Council continued to work towards the creation of the new council Somerset West and Taunton from 1 April 2019. A balanced budget for the new council was approved in February 2019 and this indicated a sustainable financial position – no significant budget gap was identified within the medium term financial plan. Nevertheless, 2019/20 is a critical period for the new Council with a significant change in staffing levels, business processes and ways of delivering services to its customers. This carries a degree of financial risk especially with the dependence on delivery of full transformation savings.

The Government continue to develop their policy on local government finance. In the 2019/20 local government finance settlement, the Secretary of State again indicated the plans for local government (as a whole) to retain 75% of business rates by 2020, and the move to 100% retention of business rates continues to be explored. There is therefore significant uncertainty regarding the funding position for 2020/21 onwards, with the funding system due to be updated following the Spending Review, Fair Funding Review and Business Rates Retention reform – all due to be implemented from April 2020.

## EXPLANATION OF ACCOUNTING STATEMENTS

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2019. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements are prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, which in turn is underpinned by International Financial Reporting Standards.

The Statement of Accounts has been prepared on a going concern basis. The Council's Section 151 Officer has completed a detailed assessment of a range of factors to determine the financial health of the organisation and assess key risks to the affordability of service position for the foreseeable future. This assessment also takes into account the fact that West Somerset Council ceases from 1 April 2019 and that instead its services will be provided by the newly created Somerset West and Taunton Council from this date.

The main financial statements contained within the Statement of Accounts are as follows.

- The **Comprehensive Income and Expenditure Statement** (page 16) brings together details of the Council's day-to-day revenue spending and income on its services, and other gains and losses in the year;
- The **Movement in Reserves Statement** (page 17) shows the changes in the Council's financial resources over the year, by showing the movement on the different reserves held, analysed into 'usable reserves' (that can be used to fund spending) or other reserves;
- The **Balance Sheet** (page 18) provides a snapshot of the Council's financial position at 31 March and sets out what is owned and what is owed;
- The **Cash Flow Statement** (page 19) summarises the flows of cash into and out of the Council during the year;
- The **Notes to the Financial Statements** (pages 20-77) provide supplementary information on some of the figures contained within the primary statements. They also include accounting policies, which guide the treatment of income and expenditure, and disclosures relating to the assets and liabilities of the Council.

A more detailed explanation is included alongside each of these main statements within the Statement of Accounts.

## FURTHER INFORMATION

Further information on the contents of these statements, easy to read summary versions and additional copies of this booklet can be obtained from:

P Fitzgerald ACMA CGMA, Section 151 Officer, Deane House, Belvedere Road, Taunton, TA1 1HE
Telephone: (01823) 217557
E-mail to: p.fitzgerald@somersetwestandtaunton.gov.uk

# Independent Auditor’s Report

## Independent Auditor’s Report to the Members of West Somerset District Council

These draft statements are unaudited and therefore following the completion of the audit process the independent auditor’s report will be included within the audited statements presented in July 2019.

# The Statement of Responsibilities for the Statement of Accounts

## Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In West Somerset that officer is the Strategic Finance Advisor and Section 151 Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

## The Strategic Finance Advisor and Section 151 Officer:

The Strategic Finance Advisor and Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Strategic Finance Advisor and Section 151 Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Local Authority Code.

The Strategic Finance Advisor and Section 151 Officer has also:

- Kept proper accounting records which were up-to-date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

## Declaration by the Strategic Finance Advisor and Section 151 Officer

I certify that this Statement of Accounts gives a true and fair view of the financial position of West Somerset District Council at 31 March 2019 and of its expenditure and income for the year ended 31 March 2019.

P Fitzgerald ACMA, CGMA
Strategic Finance Advisor and Section 151 Officer

Date:

## Approval of the Accounts

This Statement of Accounts will be approved by resolution of the Audit, Governance and Standards Committee under powers allocated by the constitutional arrangements of the Council.

Chair of Audit, Governance and Standards Committee

# 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. Councils raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

| 2017/18 Gross Expenditure £000 | 2017/18 Gross Income £000 | 2017/18 Net Expenditure £000 | | Notes | 2018/19 Gross Expenditure £000 | 2018/19 Gross Income £000 | 2018/19 Net Expenditure £000 |
|---|---|---|---|---|---|---|---|
| 15,574 | (12,874) | 2,700 | Operations | | 16,167 | (11,771) | 4,396 |
| 1,310 | (321) | 989 | Housing and Communities | | 1,235 | (332) | 903 |
| 2,290 | (1,606) | 684 | Growth and Development | | 3,776 | (1,824) | 1,952 |
| 518 | (16) | 502 | Strategic Leadership | | 576 | (15) | 561 |
| **19,692** | **(14,817)** | **4,875** | **Cost of Services** | | **21,754** | **(13,942)** | **7,812** |
| | | 1,395 | Other Operating Expenditure | **10** | 1,514 | 0 | 1,192 |
| | | 394 | Financing and Investment Income and Expenditure | **11** | 437 | (463) | (25) |
| | | (6,937) | Taxation and Non-Specific Grant Income and Expenditure | **12** | | | (8,761) |
| | | **(273)** | **(Surplus) or Deficit on Provision of Services** | | | | **218** |
| | | 411 | (Surplus) or deficit on revaluation of Property, Plant and Equipment assets | **24** | | | (153) |
| | | 15 | Surplus or deficit on revaluation of available for sale financial assets | | | | 0 |
| | | (984) | Remeasurement of the net defined benefit liability/(asset) | **26** | | | (929) |
| | | **(558)** | **Other Comprehensive Income and Expenditure** | | | | **(1,082)** |
| | | **(831)** | **Total Comprehensive Income and Expenditure** | | | | **(864)** |

## Movement In Reserves Statement

This statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

| | Notes | General Fund Balance Including Earmarked Reserves £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total Council Reserves £000 |
|---|---|---|---|---|---|---|---|
| **Current Year** | | | | | | | |
| **Balance at 31 March 2018** | | **5,148** | **2,012** | **955** | **8,115** | **(8,200)** | **(85)** |
| Remeasurement of Financial Instruments following adoption of IFRS9 (Note 16) | | 1 | | | **1** | **(3)** | **(2)** |
| **Remeasured Balance At 31 March 2018** | | **5,149** | **2,012** | **955** | **8,116** | **(8,203)** | **(87)** |
| **<u>Movement in Reserves during 2018/19</u>** | | | | | | | |
| Total Comprehensive Income and Expenditure | | (218) | 0 | 0 | **(218)** | 1,082 | **864** |
| Adjustments between accounting basis and funding basis under regulations | **8** | 98 | (53) | 233 | **278** | (278) | **0** |
| **Increase / (Decrease) in 2018/19** | | (120) | (53) | 233 | **60** | 804 | **864** |
| **Balance at 31 March 2019 Carried forward** | | **5,029** | **1,959** | **1,188** | **8,176** | **(7,399)** | **777** |
| **Comparative Year** | | | | | | | |
| **Balance at 31 March 2017** | | **3,742** | **2,220** | **879** | **6,841** | **(7,757)** | **(916)** |
| **<u>Movement in Reserves during 2017/18</u>** | | | | | | | |
| Total Comprehensive Income and Expenditure | | 273 | 0 | 0 | **273** | 558 | **831** |
| Adjustments between accounting basis and funding basis under regulations | **8** | 1,133 | (208) | 76 | **1,001** | (1,001) | **0** |
| **Increase / (Decrease) in 2017/18** | | 1,406 | (208) | 76 | **1,274** | (443) | **831** |
| **Balance at 31 March 2018 Carried forward** | | **5,148** | **2,012** | **955** | **8,115** | **(8,200)** | **(85)** |

# Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).

The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (e.g. the Revaluation Reserve, and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations').

| 31 March 2018 £000 | | Notes | 31 March 2019 £000 |
|---|---|---|---|
| 10,387 | Property, Plant and Equipment | 14 | 9,183 |
| 1,708 | Investment Properties | 15 | 2,988 |
| 33 | Intangible Assets | | 42 |
| 1 | Long-term Debtors | | 1 |
| **12,129** | **Long Term Assets** | | **12,214** |
| 1,736 | Assets Held for Sale | 17 | 1,316 |
| 3,298 | Short Term Debtors | 18 | 3,571 |
| 3,462 | Cash and Cash Equivalents | 19 | 1,685 |
| 12,940 | Short Term Investments | 16 | 12,042 |
| **21,436** | **Current Assets** | | **18,614** |
| (15,084) | Short Term Creditors | 20 | (11,652) |
| (855) | Provisions | 21 | (1,581) |
| **(15,939)** | **Current Liabilities** | | **(13,233)** |
| (17,342) | Other Long Term Liabilities | 26 | (16,248) |
| (367) | Long Term Creditors | 20 | (570) |
| **(17,709)** | **Long Term Liabilities** | | **(16,818)** |
| **(83)** | **Net Assets** | | **777** |
| 8,115 | Usable Reserves | 22 | 8,176 |
| (8,200) | Unusable reserves | 23 | (7,399) |
| **(85)** | **Total Reserves** | | **777** |

# Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council.

Investing activities represent the extent to which cash outflows have been made for resources, which are intended to contribute to the Council's future service delivery.

Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

| 2017/18 £000 | | Notes | 2018/19 £000 |
|---|---|---|---|
| **273** | **Net surplus or (deficit) on the provision of services** | | **(218)** |
| (508) | Adjustments to net surplus or deficit on the provision of services for non cash movements | **29** | (2,364) |
| (252) | Adjustments for items included in the net surplus on the provision of services that are investing and financing activities | **29** | (350) |
| **(487)** | **Net cash flows from Operating Activities** | | **(2,932)** |
| (148) | Investing Activities | **30** | 1,155 |
| **(635)** | **Net increase or decrease in cash and cash equivalents** | | **(1,777)** |
| 4,097 | Cash and cash equivalents at the beginning of the reporting period | **19** | 3,462 |
| **3,462** | **Cash and cash equivalents at the end of the reporting period** | **19** | **1,685** |

# Notes to the Accounts

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

## 1 Accounting Policies

### i) General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

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

This will be the final set of Accounts for West Somerset Council (WSC) following local government structural change which takes effect on 1 April 2019. Both WSC and its neighbour Taunton Deane Borough Council (TDBC) will be dissolved to be replaced by a single successor Council – Somerset West and Taunton Council (SWT) – with effect from 1 April 2019. These accounts have been prepared on a going concern basis as all responsibilities, rights, obligations, assets and liabilities of WSC (and TDBC) will transfer to the new Council with effect from 1 April 2019.

### ii) Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract. With effect from 1 April 2018, IFRS15 *Revenues from Contracts with Customers* has been adopted, which resulted in no material impact to the Council's recognition of revenues.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance is written down and a charge made for the income that might not be collected.

### iii) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in one month or less from the date of the balance sheet and that are readily convertible to known amounts of cash with insignificant risk of change in value. The Council includes deposits in Business Reserve Accounts in cash equivalents.

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

**iv) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

**v) Charges to Revenue for Non-Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

**vi) Employee Benefits**

Benefits Payable during Employment
Short-term employee benefits are those due to be settled wholly within twelve months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

As all West Somerset staff are now employed by Taunton Deane Borough Council (TDBC), the accrual for accumulated absences is shown in the TDBC Statement of Accounts and no longer reported by this Council.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accrual basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council 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 Council are members of the Local Government Pensions Scheme administered by Somerset County Council (SCC). The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Scheme provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the SCC pension fund attributable to West Somerset 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 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 of 2.35% (based on the annualised Merrill Lynch AA rated corporate bond yield curve where the spot curve is assumed to be flat beyond the 30 year point).
- The assets of the SCC pension fund attributable to West Somerset are included in the Balance Sheet at their fair value:
    - quoted securities - current bid price
    - unquoted securities - professional estimate
    - unitised securities - current bid price.
    - property – market value

The change in the net pension liability is analysed into the following components:

Service cost comprising:

- **Current service cost –** the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- **Past service cost** – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

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

Re-measurements comprising:

- **The return on plan assets** – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- **Actuarial Gains and Losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- **Contributions paid to the Peninsula 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 Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are 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 measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits that are earned by employees.

<u>Discretionary Benefits</u>
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.

**vii) Events after the Reporting Period**

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 Statement 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.

**viii) Financial Instruments**

Financial Liabilities

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

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their Cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL)
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the assets held by the Council this means that the amount presented on the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable in the year in the loan agreement.

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

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

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

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price;

- Other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted in active markets for identical assets that the Council can access at the measurement date;

- Level 2 inputs – inputs other than quoted process included within Level 1 that are observable for the asset, either directly or indirectly;

- Level 3 inputs – unobservable inputs for the asset.

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

**ix) Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, Government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

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

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

**x) Business Improvement District**

A Business Improvement District (BID) scheme applies to the town of Minehead within the West

Somerset district. The scheme is funded by a BID levy paid by non-domestic ratepayers within Minehead. The Council acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

**xi) Intangible Assets**

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible assets held by the Council meet 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 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 losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £0.010m) the Capital Receipts Reserve.

**xii) Investment Property**

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £0.010m) the Capital Receipts Reserve.

**xiii) 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 buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

**The Council as Lessee**

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, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

**The Council as Lessor**

Operating Leases

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

### xiv) Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

### xv) Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council 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 £0.002m. 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:

- The 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;
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of an asset given up by the Council.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost;
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective;
- All other assets – current value, determined as the amount that would be paid for the asset in its 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 current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement 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 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.

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.

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 by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. Freehold Land and certain Community Assets) and assets that are not yet available (Assets under Construction).

Depreciation is calculated on the following bases:

- Buildings – straight-line allocation over the life of the property as estimated by the Valuer;
- Vehicles, plant and equipment – straight-line allocation, based on the type of asset class in the balance sheet, (vehicles 5-15 years, plant 10 years and equipment 5 years);
- Infrastructure – straight-line allocation over 25 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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 1 April and therefore do not attract a depreciation charge for the year. Assets acquired during the year attract a full years' charge.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses 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 (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

### xvi) Provisions, Contingent Liabilities and Contingent Assets

<u>Provisions</u>
Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council 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 payment 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 Council settles the obligation.

<u>Contingent Liabilities</u>
A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. 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.

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

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

### xvii) 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 into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Separate reserves are maintained for capital and revenue spending; in line with legislation and accounting practice, capital reserves cannot be used to support general revenue spending although revenue reserves may be used to support capital spending.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation and retirement and do not represent usable resources for the Council - these reserves are explained in the relevant policies.

**xviii) Revenue Expenditure Funded from Capital under Statute**

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

**xix) VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded is excluded from income.

**xx) Related Party Transactions**

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

**xxi) Council Tax and Non-Domestic Rates**

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR.

Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

<u>Accounting for Council Tax and NDR</u>
The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under statutory arrangements will not me made (fixed or determinable payments), the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

### xxi) Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as covered bonds at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate to the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 – unobservable inputs for the asset or liability.

## 2 Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

Accounting standards that may be relevant for additional disclosures in the 2019/20 financial statements in respect of accounting changes that will be introduced in the 2019/20 Code are as follows:-

- Amendments to IAS40 Investment Property: Transfer of Investment Property
- Annual Improvements to IFRS Standards 2014 – 2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS9 Financial Instruments: Prepayment Features with Negative Compensation

The Council has yet to adopt these accounting standards as they are not expected to have a material impact on information in the 2018/19 financial statements. These standards will be adopted for the 2019/20 financial statements where they are relevant.

## 3 Critical Judgments in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- There continues to be a high degree of uncertainty about future levels of funding for local government. The Council has therefore put significant senior management and transactional resources into identifying opportunities for both reducing costs and improving performance. While it is possible that funding uncertainty might impair the Council's assets, for example by requiring the closure of specialist facilities currently valued in the Balance Sheet as operational assets, at this stage the Council has determined that this uncertainty is not yet sufficient to indicate any impairment may become necessary;

- A Business Rates provision has been made in the accounts for £3.669m (the Council's share of this is £1.467m). The Council has put in its best estimate of the expenditure required to settle the present obligation based on the appeals put in by ratepayers.

## 4 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect If Actual Results Differ From Assumptions |
|---|---|---|
| Pensions Liability | Estimation of the net liability to pay pension depends on a number of complex judgments 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 Council with expert advice about the assumptions to be applied. | As at 31 March 2019 the pension liability for West Somerset Council amounted to £16.248m. The effects on the net pension liability of many changes in individual assumptions can be measured. For example, if the discount rate were to change by plus or minus 0.1% then the projected service cost would change by £0.843m. Similarly a change of plus or minus 1 year in life expectancy assumptions would change the projected service cost by £2.492m. |
| Arrears | As at 31 March 2019, the Council had a balance of corporate debtors of £0.160m. A review of balances suggested that an impairment allowance of £0.042m 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 £0.042m to be set aside as an allowance. |
| Business Rates Appeals Provision | Estimates has been made for the provision for refunding ratepayers who have successfully appealed against the rateable value of their properties. This includes the current and previous financial years. The estimate is based on those ratepayers who have appealed. | There is uncertainty and risk surrounding the calculation of the provision as future events may affect the amount required to settle an obligation. |
| Fair Value Measurements | When the fair values of financial assets and financial liabilities cannot be measured based on quoted process in active markets (i.e. Level 1 inputs) the fair value is measured using similar assets or liabilities in active markets or the discounted cash flow (DCF) model. Where possible, the inputs to these valuation techniques are based on observable data but were this is not possible | The Council uses the discounted cash flow (DCF) model to measure the fair value of its investment properties and financial assets.<br>The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels, (for investment properties) and |

| | | |
|---|---|---|
| | judgment is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties the Council's external valuer and for financial assets and liabilities the Council uses external treasury management advisors). | discount rates – adjusted for regional factors (for both investment properties and some financial assets). Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets. |

## 5 Material Items of Income and Expense

The year has seen the implementation of the plan to transform the way the two Councils work in preparation for the launch of the new Council on 1 April 2019. This transformation programme has given rise to termination costs (comprising of redundancies, pension enhancements etc.) relating to 191 employees and totaling £5.661 million, of which £0.931 million is charged to West Somerset.

Also included within the Comprehensive Income and Expenditure Statement there are items of income and expenditure that are considered to be material to the Council in carrying out its duties and these are as follows:

Housing Benefit Payments and Subsidy

The Council incurs a significant proportion of spend on benefit payments, which is funded predominantly by Government grant. Housing Benefit and subsidy payments are included within Operations on the face of the Comprehensive Income and Expenditure Statement and payments amounted to £9.952m 2018/19 compared with £10.816m in 2017/18. Housing Benefit subsidy amounted to (£9.885m) in 2018/19 compared with (£10.743m) in 2017/18.

## 6 Events after the Balance Sheet Date

On 1 April 2019 West Somerset Council combined with Taunton Deane Borough Council to form Somerset West and Taunton Council. Under the terms of the Structural Change Order all property, rights and liabilities held by the two former authorities transferred to the new Council on 1 April 2019. These financial statements have been prepared on a going concern basis.

There have been no events after the balance sheet date of 31 March 2019 that require the financial statements or notes to be adjusted for 2018/19.

## 7 Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

| 2018/19 | As Reported For Resource Management £000 | Adjustment To Arrive At The Net Amount Chargeable To The General Fund £000 | Net Expenditure Chargeable To The General Fund Balance £000 | Adjustments Between Funding and Accounting Basis (Note 7a) £000 | Net Expenditure In The Comprehensive Income and Expenditure Statement £000 |
|---|---|---|---|---|---|
| Operations | 4,500 | (77) | 4,423 | (27) | 4,396 |
| Housing and Communities | 468 | 104 | 572 | 331 | 903 |
| Growth and Development | 315 | 0 | 315 | 1,637 | 1,952 |
| Strategic Leadership | 561 | 0 | 561 | 0 | 561 |
| **Net Cost of Services** | **5,844** | **27** | **5,871** | **1,941** | **7,812** |
| Other Income and Expenditure | (5,926) | (27) | **(5,953)** | (1,642) | (7,595) |
| **Surplus or Deficit** | **(82)** | **0** | **(82)** | **299** | **217** |
| **Opening General Fund Balance** | | | **(899)** | | |
| **Plus Surplus/Less Deficit on General Fund Balance in Year** | | | **(82)** | | |
| **Closing General Fund Balance at 31 March** | | | **(981)** | | |

| 2017/18 | As Reported For Resource Management £000 | Adjustment To Arrive At The Net Amount Chargeable To The General Fund £000 | Net Expenditure Chargeable To The General Fund Balance £000 | Adjustments Between Funding and Accounting Basis (Note 7a) £000 | Net Expenditure In The Comprehensive Income and Expenditure Statement £000 |
|---|---|---|---|---|---|
| Operations | 2,798 | 11 | 2,809 | (109) | 2,700 |
| Housing and Communities | 417 | 86 | 503 | 486 | 989 |
| Growth and Development | 372 | 0 | 372 | 312 | 684 |
| Strategic Leadership | 502 | 0 | 502 | 0 | 502 |
| **Net Cost of Services** | **4,089** | **97** | **4,186** | **689** | **4,875** |
| Other Income and Expenditure | (4,221) | (5) | (4,226) | (922) | (5,148) |
| **Surplus or Deficit** | **(132)** | **92** | **(40)** | **(233)** | **(273)** |
| **Opening General Fund Balance** | | | **(859)** | | |
| **Plus Surplus/Less Deficit on General Fund Balance in Year** | | | **(40)** | | |
| **Closing General Fund Balance at 31 March** | | | **(899)** | | |

## 7a Note to the Expenditure and Funding Analysis

| 2018/19 | Adjustment For Capital Purposes (Note 1) £000 | Net Change For The Pensions Adjustment (Note 2) £000 | Other Statutory Differences (Note 3) £000 | Total Statutory Adjustments £000 |
|---|---|---|---|---|
| Operations | 564 | (591) | 0 | **(27)** |
| Housing and Communities | 331 | 0 | 0 | **331** |
| Growth and Development | 1,638 | 0 | 0 | **1,638** |
| Strategic Leadership | 0 | 0 | 0 | **0** |
| **Net Cost of Services** | 2,533 | (591) | 0 | **1,942** |
| **Other Income and Expenditure from the Expenditure and Funding Analysis** | (1,449) | 426 | 620 | **(403)** |
| **Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services** | **1,084** | **(165)** | **620** | **1,539** |

| 2017/18 | Adjustment For Capital Purposes (Note 1) £000 | Net Change For The Pensions Adjustment (Note 2) £000 | Other Statutory Differences (Note 3) £000 | Total Statutory Adjustments £000 |
|---|---|---|---|---|
| Operations | 564 | (591) | 0 | **(27)** |
| Housing and Communities | 331 | 0 | 0 | **331** |
| Growth and Development | 1,637 | 0 | 0 | **1,637** |
| Strategic Leadership | 0 | 0 | 0 | **0** |
| **Net Cost of Services** | 2,532 | (591) | **0** | **1,941** |
| **Other Income and Expenditure from the Expenditure and Funding Analysis** | (1,448) | 426 | (620) | **(1,642)** |
| **Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services** | **1,084** | **(165)** | **(620)** | **299** |

**Note 1 – Adjustments for Capital Purposes**
This column adds in depreciation, impairment and revaluation gains and losses in the services lines, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets;

- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices;

- **Taxation and non-specific grant income** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

**Note 2 – Net Change for the Pension Adjustments**
This column shows the net change for the removal of pension contributions and the addition of IAS19 *Employee Benefits* pension related expenditure and income:

- **For services** – this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past pension costs;

- **For financing and investment income and expenditure** – this represents the net interest on the defined benefit liability charged to the Comprehensive Income and Expenditure Statement.

**Note 3 – Other Statutory Adjustments**
Other statutory adjustments between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute.

- For **Financing and investment income and expenditure** the other statutory adjustments column recognises adjustments to the General Fund for the timing differences for premiums and discounts

- The charge under **Taxation and non-specific grant income** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

## 7b Segmental Income

Fees, charges and other service income received on a segmental basis is analysed below:

| Services | 2017/18 Income from Services £000 | 2018/19 Income from Services £000 |
|---|---|---|
| Operations | (1,609) | (449) |
| Housing and Communities | (227) | (1) |
| Growth and Development | (310) | (221) |
| Strategic Leadership | (1) | (1,400) |
| **Total Income analysed on a Segmental Basis** | **(2,147)** | **(2,071)** |

## 8 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

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

### General Fund Balance

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

### Capital Receipts Reserve

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

### Capital Grants Unapplied

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

| 2018/19 | General Fund Balance £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 |
|---|---|---|---|
| **Adjustments to the Revenue Resources** | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements | | | |
| Pension costs (transferred to or from the Pensions Reserve) | (165) | 0 | 0 |
| Council Tax and NNDR (transfers to or from the Collection Fund) | 101 | 0 | 0 |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) | 904 | 0 | 0 |
| **Total Adjustment to Revenue Resources** | **840** | **0** | **0** |
| **Adjustment between Revenue and Capital Resources** | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | (350) | 350 | 0 |
| Statutory provision for the repayment of debt (transfer from the capital adjustment account) | (143) | 0 | 0 |
| Capital expenditure financed from revenue balances | (12) | 0 | 0 |
| **Total Adjustments between Revenue and Capital Resources** | **(505)** | **350** | **0** |
| **Adjustments to Capital Resources** | | | |
| Use of the Capital Receipts reserve to finance capital expenditure | 0 | (403) | 0 |
| Application of capital grants to finance capital expenditure | (237) | 0 | 233 |
| **Total Adjustments to Capital Resources** | **(237)** | **(403)** | **233** |
| **Total Adjustments** | **98** | **(53)** | **233** |

| 2017/18 Comparative Year | General Fund Balance £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 |
|---|---|---|---|
| **Adjustments to the Revenue Resources** | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements | | | |
| Pension costs (transferred to or from the Pensions Reserve) | (124) | 0 | 0 |
| Council Tax and NNDR (transfers to or from the Collection Fund) | 383 | 0 | 0 |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) | 1,237 | 0 | 0 |
| **Total Adjustment to Revenue Resources** | **1,496** | **0** | **0** |
| | | | |
| **Adjustment between Revenue and Capital Resources** | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | (252) | 252 | 0 |
| Statutory provision for the repayment of debt (transfer from the capital adjustment account) | 0 | (144) | 0 |
| Capital expenditure financed from revenue balances | (20) | 0 | 0 |
| **Total Adjustments between Revenue and Capital Resources** | **(272)** | **108** | **0** |
| | | | |
| **Adjustments to Capital Resources** | | | |
| Use of the Capital Receipts reserve to finance capital expenditure | 0 | (316) | 0 |
| Application of capital grants to finance capital expenditure | (91) | 0 | 76 |
| **Total Adjustments to Capital Resources** | **(91)** | **(316)** | **76** |
| | | | |
| **Total Adjustments** | **1,133** | **(208)** | **76** |

## 9 Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2018/19.

| Earmarked Reserves | Balance as at 31/03/2017 £000 | Transfers Out £000 | Transfers In £000 | Balance as at 31/03/2018 £000 | Transfers Out £000 | Transfers In £000 | Balance as at 31/03/2019 £000 |
|---|---|---|---|---|---|---|---|
| Business Rates Smoothing | **305** | (265) | 1,292 | **1,332** | (386) | 996 | **1,942** |
| Strategic Housing Market Area Assessment | **576** | 0 | 0 | **576** | 0 | 0 | **576** |
| Transformation & Business Resilience | **0** | 0 | 0 | **0** | 0 | 262 | **262** |
| Asset Maintenance and Compliance | **213** | (41) | 121 | **293** | (60) | 0 | **233** |
| Minehead Esplanade | **0** | 0 | 59 | **59** | 0 | 0 | **59** |
| Steam Coast Trail | **31** | (24) | 0 | **7** | 0 | 85 | **92** |
| Sustainability Reserve | **41** | (33) | 150 | **158** | (290) | 210 | **78** |
| Planning Policy Reserve | **195** | (50) | 27 | **172** | (98) | 0 | **74** |
| Enterprising Minehead | **0** | 0 | 0 | **0** | 0 | 63 | **63** |
| Homelessness Prevention | **58** | 0 | 0 | **58** | 0 | 0 | **58** |
| Transformation | **757** | (89) | 70 | **738** | (1,189) | 507 | **56** |
| SWP Recycle More | **0** | 0 | 55 | **55** | 0 | 0 | **55** |
| Planning Reserve | **20** | 0 | 50 | **70** | (20) | 0 | **50** |
| Elections Reserve | **9** | 0 | 30 | **39** | 0 | 9 | **48** |
| Revenues and Benefits Reserve | **73** | (38) | 33 | **68** | (68) | 0 | **0** |
| Carry Forwards | **247** | (247) | 295 | **295** | (295) | 207 | **207** |
| Other Earmarked Reserves | **319** | (61) | 71 | **329** | (322) | 188 | **195** |
| **Total** | **2,844** | **(848)** | **2,253** | **4,249** | **(2,728)** | **2,527** | **4,048** |

**Business Rates Smoothing Reserve:** The business rates funding system results in volatility in the Collection Fund balance, which the Council will need to fund in subsequent years. The Council sets aside funds in this smoothing reserve to avoid large spikes in the Revenue Budget as a result of successful Business Rates appeals.

**Asset Maintenance and Compliance:** Monies set aside for works needed to be carried out on Council owned assets.

**Minehead Esplanade:** Monies received from the Coastal Community Fund set aside for the improvement of the esplanade in Minehead.

**Planning Policy Reserve:** Monies have been set aside to be drawn down in 2018/19 to cover additional costs arising and relating to the West Somerset Local Plan preparation through to examination and beyond to adoption.

**Sustainability Reserve:** Earmarked for initiatives that have a positive impact upon the long term sustainability of the Council.

**Homelessness Prevention:** Homelessness prevention grant received as part of Revenue Support Grant in 2015/16 was earmarked along with the remainder of the Mortgage Rescue Grant.

**Strategic Housing Market Area Assessment:** Ministry of Housing, Communities & Local Government (MHCLG) funding which will support plans for more affordable housing in West Somerset.

**Transformation and Business Resilience:** funding set aside for the costs of our Transformation programme including the formation of a new council for West Somerset and Taunton Deane.

**Planning Reserve:** Monies set aside to fund specialist technical advice for major planning applications, for example, Landscape visual impact assessments, retail studies etc.

**Carry Forward Requests:** Includes budget carry forward requests in respect of services such as Harbours, Economic Development and Homelessness.

## 10 Other Operating Expenditure

The note below details what is included in the 'Other Operating Expenditure' line in the Comprehensive Income and Expenditure Statement.

| 2017/18 £000 | | 2018/19 £000 |
|---|---|---|
| 953 | Parish Council precepts | 1,009 |
| 3 | Levies | 3 |
| 439 | (Gains)/Losses on the disposal of non current assets | 180 |
| **1,395** | **Total** | **1,192** |

## 11 Financing and Investment Income and Expenditure

The note below details what is included in the 'Financing and Investment Income and Expenditure' line in the Comprehensive Income and Expenditure Statement.

| 2017/18 £000 | | 2018/19 £000 |
|---|---|---|
| 455 | Net interest on the defined liability (asset) | 426 |
| (33) | Interest receivable and similar income | (68) |
| 59 | Income and Expenditure in relation to investment properties and changes in their fair value | (279) |
| (87) | Other investment income | (104) |
| **394** | **Total** | **(25)** |

## 12 Taxation and Non Specific Grant Income

The note below details what is included in the 'Taxation and Non-Specific Grant Income' line in the Comprehensive Income and Expenditure Statement.

| 2017/18 £000 | | 2018/19 £000 |
|---|---|---|
| (3,087) | Council tax income | (3,235) |
| (1,238) | Non domestic rates | (1,876) |
| (1,750) | Non-ringfenced government grants | (1,522) |
| (862) | Capital grants and contributions | (2,128) |
| **(6,937)** | **Total** | **(8,761)** |

More details of grants the Council has received can be found in Note 35 Grant Income.

## 13 Expenditure and Income Analysed By Nature

The Council's expenditure and income is analysed as follows:

| Expenditure/Income | 2017/18 £000 | 2018/19 £000 |
|---|---|---|
| **Expenditure** | | |
| Other Service Expenses | 19,738 | 21,615 |
| Depreciation, Amortisation, Impairment | 480 | 325 |
| Precepts and Levies | 956 | 1,012 |
| Loss on the Disposal of Assets | 439 | 180 |
| **Total Expenditure** | 21,613 | 23,132 |
| **Income** | | |
| Fees, Charges and Other Service Income | (2,147) | (2,071) |
| Interest and Investment Income | (110) | (172) |
| Income from Council Tax, Non-Domestic Rates | (4,325) | (5,111) |
| Government Grants and Contributions | (15,304) | (15,560) |
| **Total Income** | (21,886) | (22,914) |
| **(Surplus) or Deficit on the Provision of Services** | **(273)** | **218** |

## 14 Property, Plant and Equipment

The table below details the movement on the Council's assets shown on the Balance Sheet as Property Plant and Equipment.

| Movement in 2018/19 | Land and Buildings £000 | Vehicles, Plant and Equipment £000 | Infrastructure Assets £000 | Community Assets £000 | Non Operational Assets £000 | Total £000 |
|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | |
| **At 1 April 2018** | **7,172** | **3,156** | **5,038** | **55** | **486** | **15,907** |
| Additions | 0 | 8 | 0 | 0 | 0 | **8** |
| Revaluation increases / (decreases) recognised in the Revaluation reserve | 217 | 0 | 0 | 0 | (49) | **168** |
| Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services | (19) | 0 | 0 | 0 | (25) | **(44)** |
| Reclassifications | (1,367) | 0 | 0 | 0 | 576 | **(791)** |
| Derecognition - Disposals | (321) | 0 | 0 | 0 | 0 | **(321)** |
| **At 31 March 2019** | **5,682** | **3,164** | **5,038** | **55** | **988** | **14,927** |
| **Accumulated Depreciation and Impairment** | | | | | | |
| **At 1 April 2018** | **0** | **(3,095)** | **(2,425)** | **0** | **0** | **(5,520)** |
| Depreciation charge | (41) | (37) | (187) | 0 | 0 | **(265)** |
| Depreciation written out to the Revaluation Reserve | 41 | 0 | 0 | 0 | 0 | **41** |
| Derecognition - Disposals | 0 | 0 | 0 | 0 | 0 | **0** |
| **At 31 March 2019** | **0** | **(3,132)** | **(2,612)** | **0** | **0** | **(5,744)** |
| **Net Book Value** | | | | | | |
| **As at 31 March 2019** | **5,682** | **32** | **2,426** | **55** | **988** | **9,183** |
| **As at 31 March 2018** | **7,172** | **61** | **2,613** | **55** | **486** | **10,387** |

| Comparative Movement 2017/18 | Land and Buildings £000 | Vehicles, Plant and Equipment £000 | Infra-structure Assets £000 | Community Assets £000 | Non Operational Assets £000 | Total £000 |
|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | |
| **At 1 April 2017** | **8,301** | **3,159** | **5,038** | **55** | **530** | **17,083** |
| Additions | 84 | 25 | 0 | 0 | 0 | **109** |
| Revaluation increases / (decreases) recognised in the Revaluation reserve | (619) | 0 | 0 | 0 | (43) | **(662)** |
| Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services | (156) | 0 | 0 | 0 | (1) | **(157)** |
| Derecognition - Disposals | (438) | (28) | 0 | 0 | 0 | **(466)** |
| **At 31 March 2018** | **7,172** | **3,156** | **5,038** | **55** | **486** | **15,907** |
| **Accumulated Depreciation and Impairment** | | | | | | |
| **At 1 April 2017** | **(51)** | **(3,062)** | **(2,237)** | **0** | **0** | **(5,350)** |
| Depreciation charge | (63) | (46) | (188) | 0 | 0 | **(297)** |
| Depreciation written out to the Revaluation Reserve | 114 | 0 | 0 | 0 | 0 | **114** |
| Derecognition - Disposals | 0 | 13 | 0 | 0 | 0 | **13** |
| **At 31 March 2018** | **0** | **(3,095)** | **(2,425)** | **0** | **0** | **(5,520)** |
| **Net Book Value** | | | | | | |
| **As at 31 March 2018** | **7,172** | **61** | **2,613** | **55** | **486** | **10,387** |
| **As at 31 March 2017** | **8,250** | **97** | **2,801** | **55** | **530** | **11,733** |

**Depreciation**

Depreciation is calculated on the following bases:

- **Buildings –** straight-line allocation over the life of the property as estimated by the Valuer. The useful economic lives of the assets held as operational buildings, as determined by the Valuer, range from between 1 and 60 years;
- **Vehicles, plant and equipment –** straight-line allocation, based on the type of asset class in the balance sheet, (vehicles 5-15 years, plant 10 years and equipment 5 years);
- **Infrastructure –** straight-line allocation over 25 years.

**Capital Commitments**

There are currently no material contractual commitments in respect of capital expenditure

**Revaluations**

The Council carries out a programme that ensures that all Property, Plant and Equipment is measured at fair value with the latest revaluation exercise being carried out as at 31 March 2019. All valuations have been carried out by Wilks, Head and Eve, chartered surveyors. Valuations of land and buildings were carried out in accordance with methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The significant assumptions applied by the Valuers in estimating the current values of property, plant and equipment are:-

- Planning Proposals

    - We have not made formal written enquiries of the Local Authority Planning Departments to ascertain if there are any adverse proposals likely to affect specific properties. We are instructed, however, that for the purposes of this Valuation Certificate, we should assume that there are no planning proposals that are likely to have an effect on the value of the properties unless these were specifically notified to us.

- Construction and State of Repair

    - Structural / Condition surveys have not been undertaken of the properties nor have the service installations been tested.

    - We have not carried out a structural survey nor have we inspected those parts of the properties that are covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition. We cannot express an opinion about or advise upon the condition of uninspected parts and this report should not be taken as making any implied representation or statement about such parts.

    - No allowances have been made for rights, obligations or liabilities arising from the Defective Premises Act 1972.

    - Unless we are aware that a specific property has a limited economic life, we have assumed that the assets are at a suitable level of condition for service provision, and that all internal and external repairs and maintenance have been carried out. We have assumed that these repairs do not constitute improvement to the properties and do not have a material effect on asset value.

- Hazardous or Deleterious Materials

    - We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of these properties or has since been incorporated and we are therefore unable to report that the properties are free from risk in this respect. For the purpose of this report we have assumed that such investigation would not disclose the presence of any such material in any adverse condition.

- Contaminated Land

    - We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the property and which may draw attention to any contamination or possibility of any such contamination. In undertaking our work we have been instructed to assume that no contaminative or potentially contaminative uses have ever been carried out on the property. We have not carried out any investigation into past or present uses either of the properties or of any neighbouring land to establish whether there is any potential for contamination from these sites to the subject property and have therefore assumed that none exists.

    - Should it however be established subsequently that contamination exists at any of the properties or any neighbouring land or that the properties have been or are being put to a contaminative use this might reduce the values now reported.

- Plant and Machinery

    - Any plant and machinery that has been considered to form part of the property or service installations is included in the valuation. Where there is doubt as to the correct classification, assets installed primarily to provide services to the properties have been valued with the land and buildings and assets primarily serving the commercial or industrial process have been excluded. Any departure from this is stated on the relevant Valuation Statement.

- Lotting

    - Where applicable, properties have been lotted. No allowance or discount has been made for any flooding of the market which might, in practice, happen if a number of properties were offered for sale simultaneously. The figure reported is the aggregate of the values on separate properties.

- Taxation

    - No allowance has been made for liability for taxation which may arise on disposal, whether actual or notional. Where possible VAT and Capital Gains Tax are specifically excluded and the valuation does not reflect costs of realisation unless specifically requested by the client. No additions have been made for Stamp Duty Land Tax (SDLT).

- Acquisition and Disposal Costs

    - No notional directly attributable acquisition costs or selling costs have been applied to or deducted from the Current Value and Fair Value figures provided within this report.

    - For indicative purposes only, the Valuer would expect purchaser's cost to be in the region of 0.5% and 5.0% (plus or minus) dependant on the overall value of the asset and property type on an acquisition or disposal respectively.

- The Valuer has made no allowance for any vendor's costs or taxation (actual or notional) nor has any allowances been made for any capital or annual grants or incentives to which a purchaser may be entitled.

- The Valuer has not been asked by the client to specifically reflect these costs separately.

- Guidance on this matter is provided within UKVS 1 Paragraph 1.7 - Costs to be excluded of the Red Book:

- The valuer must not include directly attributable acquisition or disposal costs in the valuation. When asked by the client to reflect costs, these must be stated separately.

- In determining the figure to enter into the balance sheet (the 'carrying amount'), FRS 15 requires the addition of notional, directly attributable acquisition costs, where material, to the EUV. Likewise, where property is surplus to the entity's requirements and valued on the basis of market value, there should be a deduction for expected, directly attributable selling costs, where material. If requested to advise on these costs, the Valuer should report them separately and not amalgamate them with either the EUV or market value. The valuation should reflect the Valuer's opinion of the consideration that would appear in the hypothetical sale and purchase contract.

- FRS 15 states that directly attributable costs can include stamp duty, import duties and non-refundable purchase taxes, as well as professional fees, the Valuer is alerted to a potential problem with a property that would, or would potentially, be subject to VAT in any transaction but the entity may not be able to reclaim the VAT. The decision whether or not to treat this as a directly attributable acquisition cost should be determined by the entity, together with its auditors. Even if this is the case the Valuer should state clearly in the report what assumptions have been made and the likely impact of VAT in any transaction.

- In the case of surplus properties, directly attributable selling costs that are material may need to be itemised separately. If this is the case they will include not only the transaction costs but also any marketing costs that can be reasonable anticipated.

- Deminimis Levels of Value

  - Only those properties the value of which is considered likely to exceed the "deminimis" level of value determined by The Authority are included separately in this valuation. In all cases, we have included the valuation within the main body of the report as well as summarising them in letter format even if the Authority chooses not to include these within their financial statements.

| | Land and Buildings £000 | Vehicles Plant and Equipment £000 | Infrastructure Assets £000 | Community Assets £000 | Non Operational Assets £000 | Total £000 |
|---|---|---|---|---|---|---|
| Valued at Historic Cost | | 3,164 | 5,038 | 55 | 988 | **9,245** |
| Valued at: | | | | | | |
| 2018/19 | 5,682 | 0 | 0 | 0 | 0 | **5,682** |
| 2017/18 | 0 | 0 | 0 | 0 | 0 | **0** |
| **Total** | **5,682** | **3,164** | **5,038** | **55** | **988** | **14,927** |

## 15 Investment Properties

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

| 2017/18 £000 | | 2018/19 £000 |
|---|---|---|
| 98 | Rental income from investment property | 233 |
| **98** | **Net gain / (loss)** | **233** |

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

| 2017/18 £000 | Movement in fair value of investment properties | 2018/19 £000 |
|---|---|---|
| 1,767 | Balance at start of the year | 1,708 |
| | Additions: | |
| 0 | Reclassifications | 1,210 |
| | Disposals: | |
| 0 | Disposals | (208) |
| (59) | Net gains/losses from fair value adjustments | 278 |
| **1,708** | **Balance at end of the year** | **2,988** |

### Fair Value Measurement of Investment Property

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

| 2017/18 £000 | Significant Unobservable Inputs (Level 3) | 2018/19 £000 |
|---|---|---|
| 956 | Commercial Buildings | 2,420 |
| 752 | Commercial Land | 568 |
| **1,708** | **Investment Property** | **2,988** |

### Significant Unobservable Inputs – Level 3

The commercial land and buildings located in the Council's area are measured using the income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream. The approach has been developed using the Council's own data requiring it to factor in assumptions such as the duration and timing of cash flows and outflows, rent growth, occupancy levels, bad debt levels, maintenance costs etc.

The Council's commercial land and buildings are, therefore, categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable puts to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would have used different assumptions).

**Highest and Best Use of Investment Properties**

In estimating the fair value of the Council's Investment Properties the highest and best use of the properties is their current use.

**Valuation Techniques**

There has been no change in the valuation techniques used during the year for investment properties.

## 16 Financial Instruments

**Classifications**

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

**Financial Liabilities**

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The Council's non-derivative financial liabilities held during the year are measured at amortised cost and comprised:

- trade payables for goods and services received.

**Financial Assets**

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Council during the year are held under the following classifications:

Loans and receivables (financial assets that have fixed or determinable payments and are not quoted in an active market) comprising:

- cash and cash equivalents;
- bank current account with National Westminster Bank;
- trade receivables for goods and services delivered.

Fair value through profit and loss (all other financial assets) comprising:

- money market funds;
- covered bonds issued by banks and building societies.

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

**Financial Instruments – Balances**

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

| 31 March 2018 Long Term £000 | 31 March 2018 Short Term £000 | Financial Liabilities | 31 March 2019 Long Term £000 | 31 March 2019 Short Term £000 |
|---|---|---|---|---|
| | | **Liabilities at Amortised Cost** | 0 | 0 |
| 0 | 1,172 | Trade Payables | 0 | 0 |
| 0 | **1,172** | **Included in Creditors** | 0 | 0 |
| **0** | **1,172** | **Total Financial Liabilities** | **0** | **0** |

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

| 31 March 2018 Long Term £000 | 31 March 2018 Short Term £000 | Financial Assets | 31 March 2019 Long Term £000 | 31 March 2019 Short Term £000 |
|---|---|---|---|---|
| | | **At Amortised Cost** | | |
| 0 | 12,438 | Principal | 0 | 12,042 |
| 0 | 0 | Expected Credit Loss | 0 | 0 |
| | | **At Fair Value Through Profit and Loss** | | |
| 0 | 501 | Fair Value | 0 | 0 |
| **0** | **12,939** | **Total Investments** | **0** | **12,042** |
| | | | | |
| | | **At Amortised Cost** | | |
| 0 | 3,461 | Principal | 0 | 375 |
| | | **At Fair Value Through Profit and Loss** | | |
| 0 | 0 | Fair Value | 0 | 1,310 |
| **0** | **3,461** | **Total Cash and Cash Equivalents** | **0** | **1,685** |
| | | | | |
| | | **At Amortised Cost** | | |
| 0 | 62 | Trade Receivables | 0 | 89 |
| **0** | **62** | **Included in Debtors** | **0** | **89** |
| | | | | |
| **0** | **16,462** | **Total Financial Assets** | **0** | **13,816** |

**Financial Instruments – Gains and Losses**

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

| 31 March 2018 Financial Assets Amortised Cost £000 | Fair Value Through Profit & Loss £000 | Total £000 | Financial Liabilities | 31 March 2019 Financial Assets Amortised Cost £000 | Fair Value Through Profit & Loss £000 | Total £000 |
|---|---|---|---|---|---|---|
| (33) | 0 | (33) | Interest Income | (68) | 0 | (68) |
| **(33)** | **0** | **(33)** | **Interest and investment income** | **(68)** | **0** | **(68)** |
| **(33)** | **0** | **(33)** | **Net impact on surplus/deficit on provision of services** | **(68)** | **0** | **(68)** |
| 0 | (3) | (3) | Surplus on revaluation | 0 | 0 | 0 |
| | | **(3)** | **Impact on other comprehensive income** | | | 0 |
| **(33)** | **(3)** | **(36)** | **Net Gain/(Loss) for the year** | **(68)** | **0** | **(68)** |

**Financial Instruments – Fair Values**

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For these assets the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2019, using the following methods and assumptions:

• No early repayment or impairment is recognised for any financial instrument.

• The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

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

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

| 31 March 2018 Carrying Amount £000 | Fair Value £000 | Financial Liabilities | Fair Value Level | 31 March 2019 Carrying Amount £000 | Fair Value £000 |
|---|---|---|---|---|---|
| 1,172 | 0 | Liabilities for which fair value is not disclosed | * | 0 | 0 |
| **1,172** | **0** | **Total Financial Liabilities** | | **0** | **0** |
| | | **Recorded on Balance Sheet as:** | | | |
| 1,172 | 0 | Short Term Creditors | | 0 | 0 |
| **1,172** | **0** | | | **0** | **0** |

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

| 31 March 2018 Carrying Amount £000 | Fair Value £000 | Financial Assets | Fair Value Level | 31 March 2019 Carrying Amount £000 | Fair Value £000 |
|---|---|---|---|---|---|
| | | **Financial Assets held at Fair Value** | | | |
| 501 | 501 | Covered Bonds | 1 | 0 | 0 |
| 0 | 0 | Money Market Funds | 1 | 1,310 | 1,310 |
| | | **Financial Assets held at Amortised Cost** | | | |
| 111 | 111 | Bank Accounts | * | 375 | 375 |
| 15,788 | 15,788 | Term Deposits | * | 12,042 | 12,042 |
| **16,400** | **16,400** | **Total** | | **13,727** | **13,727** |
| 62 | | Assets for which fair value is not disclosed | * | 89 | |
| **16,462** | | **Total Financial Assets** | | **13,816** | |
| | | **Recorded on Balance Sheet as:** | | | |
| 12,938 | | Short Term Investments | | 12,042 | |
| 62 | | Short Term Debtors | | 89 | |
| 3,462 | | Cash & Cash Equivalents | | 1,685 | |
| **16,462** | | **Total Financial Liabilities** | | **13,816** | |

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

## Transition to IFRS9 – Financial Instruments

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

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

| | IAS 39 31 March 2018 £000 | Reclassification £000 | Impairment £000 | IFRS 9 01 April 2018 £000 |
|---|---|---|---|---|
| **FINANCIAL ASSETS** | | | | |
| **Investments** | | | | |
| Loans & Receivables/Amortised Cost | 15,899 | (3,350) | 0 | 12,549 |
| Available for Sale/FVOCI | 501 | (501) | 0 | 0 |
| FVPL | 0 | 3,851 | 0 | 3,851 |
| Expected Credit Loss | 0 | 0 | (2) | (2) |
| **Total Investments** | **16,400** | **0** | **(2)** | **16,398** |
| **Debtors** | | | | |
| Loans & Receivables/Amortised Cost | **62** | **0** | **0** | **62** |
| **TOTAL FINANCIAL ASSETS** | **16,462** | **0** | **(2)** | **16,460** |
| **FINANCIAL LIABILITIES** | | | | |
| **Creditors** | | | | |
| Amortised Cost | (1,172) | 0 | 0 | (1,172) |
| **TOTAL FINANCIAL LIABILITIES** | **(1,172)** | **0** | **0** | **(1,172)** |
| **RESERVES** | | | | |
| **Usable Reserves** | | | | |
| General Fund Balance | (899) | (3) | 2 | (900) |
| Earmarked Reserves | (4,249) | 0 | 0 | (4,249) |
| Capital Receipts Reserve | (2,012) | 0 | 0 | (2,012) |
| Capital Grants Unapplied | (955) | 0 | 0 | (955) |
| **Total Usable Reserves** | **(8,115)** | **(3)** | **2** | **(8,116)** |
| **Unusable Reserves** | | | | |
| Revaluation Reserve | (5,795) | 0 | 0 | (5,795) |
| Available for Sale Financial Instruments Reserve | (3) | 3 | 0 | 0 |
| Capital Adjustment Account | (2,875) | 0 | 0 | (2,875) |
| Pensions Reserve | 17,342 | 0 | 0 | 17,342 |
| Collection Fund Adjustment Account | (469) | 0 | 0 | (469) |
| **Total Usable Reserves** | **8,200** | **3** | **0** | **8,203** |
| **TOTAL RESERVES** | **85** | **0** | **2** | **87** |

## 17 Assets Held for Sale

The table below details the balances of Assets Held for Sale at 31 March. For an asset to be classified as held for sale it must meet the following criteria:

- Be available for sale in its present condition;
- The sale must be highly probable and have Member approval;
- The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value;
- The sale must be expected to be completed within one year of classification (in some circumstances if it is expected to take longer than a year to complete but still meets the other criteria it may be included as a non-current asset held for sale).

| | Current | |
|---|---|---|
| | 2017/18 £000 | 2018/19 £000 |
| **Balance outstanding at start of the year** | **1,622** | **1,736** |
| Assets newly classified as held for sale: | | |
| - Property, Plant and Equipment | 216 | 56 |
| Revaluation losses | 0 | 0 |
| Revaluation gains | 137 | 0 |
| Impairment losses | 0 | (56) |
| | | |
| Assets declassified as held for sale: | | |
| - Surplus assets not held for sale | 0 | (420) |
| Assets sold | (239) | 0 |
| **Balance outstanding at year end** | **1,736** | **1,316** |

## 18 Short Term Debtors

The table below details the Council's debtors at 31 March. Debtors are amounts owed to the Council but remain unpaid at 31 March. Included in the figures per classification is an allowance for the impairment of the debts.

| 31 March 2018 £000 | | 31 March 2019 £000 |
|---|---|---|
| 118 | Trade receivables | 75 |
| 201 | Prepayments | 87 |
| 2,979 | Other receivable amounts | 3,409 |
| **3,298** | **Total** | **3,571** |

**Debtors for Local Taxation:**

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed as follows and represent the Council's share of debtors and not those applicable to the whole of the Collection Fund:

| 31 March 2018 £000 | | 31 March 2019 £000 |
|---|---|---|
| 131 | Less than one year | 229 |
| 93 | One to two years | 172 |
| 64 | Two to three years | 139 |
| 131 | More than three years | 152 |
| **419** | **Total** | **692** |

## 19 Cash and Cash Equivalents

The table below shows how the balance of cash and cash equivalents held by the Council at 31 March is made up. Cash and cash equivalents are highly liquid investments that are readily convertible into known amounts of cash.

| 31 March 2018 £000 | | 31 March 2019 £000 |
|---|---|---|
| 87 | Cash held by the Council | 274 |
| 203 | Bank current accounts | 121 |
| 3,350 | Short-term deposits (call accounts) | 1,310 |
| (178) | Unpresented Cheques/BACS | (20) |
| **3,462** | **Total** | **1,685** |

## 20 Short Term Creditors

The tables below details the Council's short term and long term creditors at 31 March. Creditors are amounts owed by the Council at 31 March in respect of goods and services received before the end of the financial year.

| 31 March 2018 £000 | | 31 March 2019 £000 |
|---|---|---|
| 729 | Trade payables | 336 |
| 14,355 | Other payables | 11,316 |
| **15,084** | **Total** | **11,652** |

## Long Term Creditors

| 31 March 2018 £000 | | 31 March 2019 £000 |
|---|---|---|
| (367) | Capital Grants Receipts In Advance | (570) |
| **(367)** | **Total** | **(570)** |

## 21 Provisions

| | NNDR Appeals £000 | Land Charges £000 | Planning £000 | Redundancies £000 | Total £000 |
|---|---|---|---|---|---|
| **Balance as at 1 April 2017** | **(651)** | **(24)** | **(20)** | **0** | **(695)** |
| Additional provisions made in 2017/18 | (256) | 0 | 0 | 0 | **(256)** |
| Amounts used in 2017/18 | 52 | 0 | 20 | 0 | **72** |
| Unused amounts reversed in 2017/18 | 0 | 24 | 0 | 0 | **24** |
| **Balance as at 1 April 2018** | **(855)** | **0** | **0** | **0** | **(855)** |
| Additional provisions made in 2018/19 | (625) | 0 | 0 | (114) | **(739)** |
| Amounts used in 2018/19 | 13 | 0 | 0 | 0 | **13** |
| Unused amounts reversed in 2018/19 | 0 | 0 | 0 | 0 | **0** |
| **Balance as at 31 March 2019** | **(1,467)** | **0** | **0** | **(114)** | **(1,581)** |

### Provision for Business Rates Appeals

The Local Government Finance Act 2012 introduced changes to the accounting arrangements for Business Rates. These changes require the Council to put in a provision for appeals in respect of refunding ratepayers who have appealed the rateable value of their properties on the rating list. The Council has included a best estimate of its share of expenditure required to settle the present obligation within the collection fund.

### Provision for Redundancies

The additional provision of £0.114m relates to termination costs arising from the Transformation Project. This represents the Council's best estimate of the costs arising from decisions taken before 31 March 2019 where there is uncertainty as to the termination date of the relevant employees.

## 22 Usable Reserves

| 31 March 2018 £000 | | 31 March 2019 £000 |
|---|---|---|
| 899 | General Fund Balance | 981 |
| 4,249 | Earmarked Reserves | 4,048 |
| 2,012 | Capital Receipts Reserve | 1,959 |
| 955 | Capital Grants Unapplied | 1,188 |
| **8,115** | **Total Usable Reserves** | **8,176** |

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement. Usable reserves are reserves that can be applied to fund expenditure or reduce local taxation.

## 23 Unusable Reserves

The table below details the Council's unusable reserves. These are reserves that cannot be applied to fund expenditure or reduce local taxation – they are not useable resources.

| 31 March 2018 £000 | | Notes | 31 March 2019 £000 |
|---|---|---|---|
| 5,795 | Revaluation Reserve | **24** | 4,715 |
| 2,875 | Capital Adjustment Account | **25** | 3,766 |
| (17,342) | Pensions Reserve | **26** | (16,248) |
| 469 | Collection Fund Adjustment Account | **27** | 368 |
| 3 | Available-for-sale Financial Instruments Reserve | **28** | 0 |
| **(8,200)** | **Total Unusable Reserves** | | **(7,399)** |

## 24 Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through deprecation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

The table below shows that transactions that have gone through the revaluation reserve:

| 2017/18 £000 | | 2018/19 £000 | |
|---|---|---|---|
| **6,275** | **Balance as at 1 April** | | **5,795** |
| 1,381 | Upward revaluation of assets | 402 | |
| (1,792) | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | (249) | |
| (411) | Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services | | 153 |
| 184 | Difference between fair value depreciation and historical cost depreciation | 97 | |
| (253) | Accumulated gains on assets sold or scrapped | (1,330) | |
| (69) | Amount written off to the Capital Adjustment Account | | (1,233) |
| **5,795** | **Balance as at 31 March** | | **4,715** |

## 25 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to historical basis.) The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and subsequent costs.

The Account also contains revaluation gains accumulated and losses on Investment Properties that have yet to be consumed by the Council and 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 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

| 2017/18 £000 | | 2018/19 £000 | |
|---|---|---|---|
| **3,549** | **Balance as at 1 April** | | **2,875** |
| 0 | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement | 0 | |
| (454) | Charges for Depreciation and impairment of non current assets | (309) | |
| 0 | Revaluation losses on Property, Plant and Equipment | 0 | |
| (26) | Amortisation of intangible assets | (16) | |
| (790) | Revenue expenditure funded from capital under statute | (2,220) | |
| (692) | 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 | (529) | |
| **(1,962)** | | | **(3,074)** |
| 69 | Adjusting amounts written out of the Revaluation Reserve | | 1,233 |
| **(1,893)** | **Net written out amount of the cost of non current assets consumed in the year** | | **(1,841)** |
| | Capital financing applied in the year: | | |
| 316 | Use of the Capital Receipts Reserve to finance new capital expenditure | 414 | |
| 784 | Capital grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing | 1,894 | |
| 20 | Direct Revenue Financing | 2 | |
| 15 | Capital Grant Applied | 0 | |
| 143 | Statutory provision for the financing of capital investment charged against the General Fund balances | 143 | |
| **1,278** | Capital expenditure charged against the General Fund | | **2,453** |
| (59) | Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | | 279 |
| **2,875** | **Balance as at 31 March** | | **3,766** |

## 26 Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employers' contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council 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.

| 2017/18 £000 | | 2018/19 £000 |
|---|---|---|
| (18,450) | **Balance as at 1 April** | (17,342) |
| 984 | Remeasurement of the net defined benefit liability/(assets) | 929 |
| (463) | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | (434) |
| 587 | Employer's pension contributions and direct payments to pensioners payable in the year | 599 |
| **(17,342)** | **Balance as at 31 March** | **(16,248)** |

## 27 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 taxpayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

| 2017/18 £000 | | 2018/19 £000 |
|---|---|---|
| **852** | **Balance as at 1 April** | **469** |
| (383) | Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements | (101) |
| **469** | **Balance as at 31 March** | **368** |

## 28 Available-for-sale Financial Instruments Reserve

The Available-for-Sale Financial Instruments Reserve is no longer required following the reclassification of Financial Instruments in accordance with IFRS 9.

| 2017/18 £000 | | 2018/19 £000 |
|---|---|---|
| **18** | **Balance as at 1 April** | **3** |
| 0 | Balance transferred to the General Fund on adoption of IFRS 9 | (3) |
| (15) | Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services | 0 |
| **3** | **Balance as at 31 March** | **0** |

## 29 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

| 2017/18 £000 | | 2018/19 £000 |
|---|---|---|
| (33) | Interest Received | (68) |
| **(33)** | | **(68)** |

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

| 2017/18 £000 | | 2018/19 £000 |
|---|---|---|
| 297 | Depreciation | 265 |
| 26 | Amortisation | 16 |
| 157 | Impairment and downward valuations | 44 |
| 59 | Revaluation of Investment Properties | (279) |
| (168) | (Decrease)/Increase in creditors | (3,432) |
| (1,455) | (Increase)/Decrease in debtors | (273) |
| 692 | Carrying Value of Non Current Assets Disposed | 529 |
| 463 | Movement in Pension Liability | 434 |
| (587) | Pension Payable for year | (599) |
| 160 | (Decrease)/Increase in Provisions | 726 |
| (152) | (Decrease)/Increase in Capital RIA | 203 |
| 0 | Other Adjustments | 2 |
| **(508)** | | **(2,364)** |

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

| 2017/18 £000 | | 2018/19 £000 |
|---|---|---|
| (252) | Proceeds from the sale of property plant and equipment, investment property and intangible assets | (350) |
| **(252)** | | **(350)** |

## 30 Cash Flow Statement – Investing Activities

The cash flow for investing activities includes the following items:

| 2017/18 £000 | | 2018/19 £000 |
|---|---|---|
| (338) | Purchase of Property, Plant and Equipment, Investment Property and intangible assets | (90) |
| (62) | Purchase of Short Term & Long Term Investments | 895 |
| 252 | Proceeds from the sale of property, plant and equipment | 350 |
| **(148)** | **Net cash flows from investing activities** | **1,155** |

## 31 Officers Remuneration

West Somerset District Council and Taunton Deane Borough Council operate a shared management and staff structure and the figures below represent the full cost of remuneration paid to employees working jointly for both councils.

Through the joint Transformation Programme and the creation of the new Somerset West and Taunton Council, a new senior management structure was established with effect from October 2018 and a new Chief Executive appointed from 1 January 2019. New ‘Head of Function’ posts were introduced with all Assistant Director posts, the Assistant Chief Executive post and two Director posts deleted. Officers in the deleted posts left a different times during the year according to agreed transition arrangements for the major changes being implemented.

The former joint Chief Executive of Taunton Deane Borough and West Somerset councils left on 28 February 2019. The following table includes part year costs in 2018/19 for the Chief Executive, Former Chief Executive, Head of Commercial Investment, Head of Localities, Head of Customer, Head of Strategy, Head of Communications and Engagement, Head of Performance and Governance, Director of Growth and Development, Director of Housing and Communities, and all Assistant Directors apart from Planning and Environment who left on 31 March 2019.

| Post holder information (Post Title) | | Salary, Fees and Allowances £ | Compensation for Loss of Office £ | Expenses Allowances £ | Total Remuneration excluding pension contributions £ | Pension Contributions £ | Total Remuneration £ | Annualised Salary £ |
|---|---|---|---|---|---|---|---|---|
| Chief Executive | **2018/19** | 28,750 | 0 | 0 | **28,750** | 4,427 | **33,177** | 115,000 |
| | 2017/18 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Former Chief Executive | **2018/19** | 115,453 | 88,899 | 1,546 | **205,898** | 16,157 | **222,055** | 114,455 |
| | 2017/18 | 119,126 | 0 | 0 | 119,126 | 14,311 | 133,437 | 112,211 |
| Director for Operations & Deputy Chief Executive | **2018/19** | 90,212 | 0 | 573 | **90,785** | 14,203 | **104,988** | 90,212 |
| | 2017/18 | 88,443 | 0 | 0 | 88,443 | 10,115 | 98,558 | 88,443 |
| Head of Funcion Commercial Investment | **2018/19** | 42,453 | 0 | 298 | **42,751** | 6,538 | **49,289** | 84,905 |
| | 2017/18 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Head of Localities | **2018/19** | 42,453 | 0 | 0 | **42,453** | 6,538 | **48,991** | 84,905 |
| | 2017/18 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Head of Customer | **2018/19** | 38,250 | 0 | 298 | **38,548** | 8,422 | **46,970** | 76,500 |
| | 2017/18 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Head of Strategy | **2018/19** | 33,608 | 0 | 466 | **34,074** | 5,891 | **39,965** | 76,500 |
| | 2017/18 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Head of Communications & Engagement | **2018/19** | 38,495 | 0 | 3,264 | 41,759 | 0 | 41,759 | 80,000 |
| | 2017/18 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Head of Performance & Governance | **2018/19** | 38,495 | 0 | 143 | **38,638** | 5,928 | **44,566** | 80,000 |
| | 2017/18 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Strategic Finance Advisor & S151 Officer | **2018/19** | 68,779 | 0 | 2,132 | **70,911** | 10,592 | **81,503** | 63,679 |
| | 2017/18 | 67,013 | 0 | 0 | 67,013 | 8,122 | 75,135 | 62,430 |
| Director for Growth & Development | **2018/19** | 42,453 | 0 | 0 | **42,453** | 6,538 | **48,991** | 83,240 |
| | 2017/18 | 83,247 | 0 | 0 | 83,247 | 10,318 | 93,565 | 83,247 |
| Director for Housing & Communities | **2018/19** | 42,453 | 0 | 0 | **42,453** | 6,429 | **48,882** | 93,240 |
| | 2017/18 | 83,240 | 0 | 0 | 83,240 | 10,361 | 93,601 | 83,240 |
| Assistant Chief Executive & Monitoring Officer | **2018/19** | 67,394 | 0 | 0 | **67,394** | 10,379 | **77,773** | 67,394 |
| | 2017/18 | 67,427 | 0 | 0 | 67,427 | 7,992 | 75,419 | 66,072 |
| Assistant Director - Housing & Community Development | **2018/19** | 35,738 | 0 | 0 | **35,738** | 5,504 | **41,242** | 62,466 |
| | 2017/18 | 62,430 | 0 | 0 | 62,430 | 7,419 | 69,849 | 62,430 |
| Assistant Director - Planning & Environment | **2018/19** | 64,950 | 32,327 | 309 | **97,586** | 9,807 | **107,393** | 63,679 |
| | 2017/18 | 62,430 | 0 | 0 | 62,430 | 7,489 | 69,919 | 62,430 |
| Assistant Director - Corporate Services | **2018/19** | 31,839 | 0 | 0 | **31,839** | 4,903 | **36,742** | 63,679 |
| | 2017/18 | 62,430 | 0 | 0 | 62,430 | 7,489 | 69,919 | 62,430 |
| Assistant Director - Operational Delivery | **2018/19** | 42,855 | 0 | 322 | **43,177** | 4,903 | **48,080** | 63,679 |
| | 2017/18 | 62,490 | 0 | 0 | 62,490 | 7,479 | 69,969 | 62,430 |
| Assistant Director - Business Development | **2018/19** | 31,839 | 42,133 | 0 | **73,972** | 4,903 | **78,875** | 63,679 |
| | 2017/18 | 62,430 | 0 | 0 | 62,430 | 7,489 | 69,919 | 62,430 |
| Assistant Director - Energy & Infrastructure | **2018/19** | 12,008 | 0 | 282 | **12,290** | 1,826 | **14,116** | 62,430 |
| | 2017/18 | 66,748 | 0 | 0 | 66,748 | 8,066 | 74,814 | 62,430 |
| Assistant Director - Resources & Support | **2018/19** | 36,902 | 49,112 | 0 | **86,014** | 5,473 | **91,487** | 69,683 |
| | 2017/18 | 69,683 | 0 | 0 | 69,683 | 8,490 | 78,173 | 69,683 |

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

| Remuneration Band | 2017/18 Number of employees Total | 2018/19 Number of employees Total |
|---|---|---|
| £50,000 - £54,999 | 5 | 14 |
| £55,000 - £59,999 | 0 | 5 |
| £60,000 - £64,999 | 0 | 2 |
| £75,000 - £79,999 | 0 | 2 |

## 32 Termination Benefits and Exit Packages

As part of the Transformation Project with Taunton Deane Borough Council the Councils jointly terminated the contracts of 191 employees in 2018/19, compared to nil in 2017/18.

The numbers of exit packages with total cost per band and total cost of compulsory and other redundancies are set out in the table below:

| Exit Package Cost Band (including special payments) | Number Of Other Departures Agreed 2017/18 | Number Of Other Departures Agreed 2018/19 | Number Of Compulsory Redundancies 2017/18 | Number Of Compulsory Redundancies 2018/19 | Total Number Of Exit Packages By Cost Band 2017/18 | Total Number Of Exit Packages By Cost Band 2018/19 | Total Cost Of Exit Packages In Each Band (£) 2017/18 £000 | Total Cost Of Exit Packages In Each Band (£) 2018/19 £000 |
|---|---|---|---|---|---|---|---|---|
| £0 - £20,000 | 0 | 112 | 0 | 0 | 0 | 112 | 0 | 1,360 |
| £20,001 - £40,000 | 0 | 39 | 0 | 0 | 0 | 39 | 0 | 1,129 |
| £40,001 - £60,000 | 0 | 16 | 0 | 0 | 0 | 16 | 0 | 761 |
| £60,001 - £80,000 | 0 | 12 | 0 | 0 | 0 | 12 | 0 | 834 |
| £80,001 - £100,000 | 0 | 6 | 0 | 0 | 0 | 6 | 0 | 535 |
| £100,001 - £120,000 | 0 | 2 | 0 | 0 | 0 | 2 | 0 | 213 |
| £120,001 - £140,000 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 138 |
| £140,001 - £160,000 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 152 |
| £180,001 - £200,000 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 196 |
| £340,001 - £360,000 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 343 |
| **Total included in the CIES** | **0** | **191** | **0** | **0** | **0** | **191** | **0** | **5,661** |

The figures are split between West Somerset Council and Taunton Deane Borough Council in the proportion 16.45 : 83.55.

## 33 Members Allowances

The Council paid the following amounts to members of the Council during the year:

| 2017/18 £000 | | 2018/19 £000 |
|---|---|---|
| 76 | Basic Allowance | 76 |
| 60 | Special Responsibility Allowance | 60 |
| 13 | Expenses | 16 |
| **149** | **Allowances paid in the year** | **152** |

## 34 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts:

| 2017/18 £000 | | 2018/19 £000 |
|---|---|---|
| 43 | Fees payable to external auditors with regards to external audit services carried out by the appointed auditor for the year | 33 |
| 7 | Fees paid to external auditors for the certification of grant claims and returns for the year | 11 |
| **50** | **Total** | **44** |

## 35 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

| Contributions and donations to the Comprehensive Income and Expenditure Statement | 2017/18 £000 | 2018/19 £000 |
|---|---|---|
| **Credited to Taxation and Non Specific Grant Income** | | |
| EDF - Hinkley C S106 Contribution - Capital Grant | (225) | (1,263) |
| New Homes Bonus | (545) | (396) |
| Revenue Support Grant | (317) | (170) |
| Section 106 Agreements | (168) | (46) |
| Disabled Facilities Grant | (416) | (446) |
| Section 31 Grant - Business Rates | (711) | (736) |
| Enterprising Minehead | 0 | (116) |
| Steam Coast Trail | (53) | (258) |
| Rural Services Delivery Grant | (172) | (214) |
| Council Tax Family Annexe Grant | (5) | (5) |
| **Total Credited to Taxation and Non Specific Grant Income** | **(2,612)** | **(3,650)** |
| **Credited to Services - Operations** | | |
| MHCLG Land Charge Grant | (9) | 0 |
| MHCLG Grant - Street Cleansing | 0 | (6) |
| MHCLG Park Improvement Fund | 0 | (10) |
| Rent Rebate Grant | (13) | (10) |
| DWP - Benefit Administration Grant | (120) | 0 |
| MHCLG Benefit Admin Grant | (49) | (157) |
| MHCLG - Admin Recharge | 0 | (2) |
| NNDR Cost of Collection - Charged to Collection Fund | (78) | (77) |
| DWP - Universal Credit | (23) | (11) |
| DHP Grant | (153) | (143) |
| DWP - Housing Benefit Subsidy | (10,743) | (9,885) |
| MHCLG - Data Sharing | (50) | (69) |
| Transformation Grant | (10) | 0 |
| European Union Exit | 0 | (17) |
| New Burdens Funding | (28) | 0 |
| **Credited to Services - Housing & Communities** | | |
| Cuckoo Meadow | (22) | (22) |
| MHCLG - Temporary Accommodation | (1) | (1) |
| MHCLG - Flexible Homelessness Support Grant | (84) | (83) |
| **Credited to Services - Growth & Development** | | |
| EDF - Hinkley C S106 Contribution | (1,098) | (1,179) |
| Steam Coast Trail | 0 | (24) |
| MHCLG Self Build & Custom Building Register | (36) | (34) |
| MHCLG Neighbourhood Planning | (20) | 0 |
| Porlock CCT Grant | (10) | 0 |
| West Somerset Opportunity Area | 0 | (66) |
| Minehead Esplanade | (49) | (82) |
| DEFRA LEADER - Minehead at the Helm | (47) | (16) |
| National Grid PPA | (35) | (2) |
| **Credited to Services - Strategic Leadership** | | |
| MHCLG - Transparency Code Set Up | (8) | (8) |
| Individual Electoral Registration | (6) | (5) |
| **Total Credited To Services** | **(12,692)** | **(11,909)** |
| **Total Grant Income** | **(15,304)** | **(15,559)** |

## 36 Related Parties

The Council 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. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

**UK Central Government**

Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of it's funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills and housing benefits).

**Members**

Members of the Council have direct control over the Council's financial and operating policies. Members are required to observe the Code of Conduct for Councillors, register financial interests in the Council's Register maintained under S81(1) of the Local Government Act 2000.

There are no material related party transactions with members to disclose for 2018/19.

**Officers**

Officers are required to observe the Code of Conduct for Officers and register the receipt of any gifts/hospitality. The Council had no material related party transactions with officers during 2018/19.

During 2018/19 no senior officers of the Council declared any material pecuniary interest in any works, services or grants commissioned or awarded by the Council.

The Council is a member of the South West Audit Partnership Limited, a company limited by guarantee which provides internal audit services to its thirteen local authority members (including this Council). During the year the Head of Function Performance and Governance replaced the Assistant Director – Resources and Support and the Assistant Director - Corporate Services as a Director of South West Audit Partnership Limited.

Grant payments, other than precepts were also made to parish councils where district council members are also parish council members. In all instances, the grants were made with proper consideration of declarations of interest. The total paid to Parish Councils during 2018/19 other than precept payments amounted to £0.038m.

Related party transactions with the precepting bodies are disclosed on page 76 within the Collection Fund Statement and with the pension fund which is on pages 67-71, note 40 respectively within the Statement of Accounts. The Council had no significant interest in companies.

## 37 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council. The expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

| 2017/18 £000 | | 2018/19 £000 |
|---|---|---|
| 5,347 | **Opening Capital Financing Requirement** | **5,204** |
| | Capital Investment | |
| 109 | Property, Plant and Equipment | 8 |
| 0 | Intangible Assets | 25 |
| 216 | Assets Held for Sale | 56 |
| 804 | Revenue Expenditure Funded from Capital under Statute | 2,220 |
| 6 | Release of Funds From Previous Year | 0 |
| | Sources of finance | |
| (316) | Capital receipts | (415) |
| (143) | Minimum Revenue Provision Set Aside from Capital Receipts | 0 |
| (799) | Government grants and other contributions | (1,894) |
| | Sums set aside from revenue | |
| (20) | Direct revenue contributions | (143) |
| **5,204** | **Closing Capital Financing Requirement** | **5,061** |
| | Explanation of movements in year | |
| (143) | Increase / (Decrease) in underlying need to borrowing (unsupported by Government financial assistance) | (143) |
| **(143)** | **Increase/(decrease) in Capital Financing Requirement** | **(143)** |

## 38 Leases

### Council as Lessee

### Operating Leases

The Council has entered into various operating leases. The future minimum lease payments due under non-cancellable leases in future years are as follows:

| | 31 March 2018 £000 | 31 March 2019 £000 |
|---|---|---|
| Not later than one year | 56 | 49 |
| Later than one year and not later than five years | 98 | 86 |
| Later than five years | 12 | 0 |
| Total | **166** | **135** |

The expenditure charged to the Comprehensive Income and Expenditure Statement during 2018/19 in relation to these leases was £0.058m.

### Council as Lessor

### Operating Leases

The Council leases out various properties under operating leases for the following purposes:

- For the provision of community services, such as tourism services;
- For economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments due to West Somerset Council under non-cancellable leases in future years are as follows:

| | 31 March 2018 £000 | 31 March 2019 £000 |
|---|---|---|
| Not later than one year | 77 | 72 |
| Later than one year and not later than five years | 329 | 283 |
| Later than five years | 2,137 | 2,089 |
| Total | **2,543** | **2,444** |

## 39 Impairment Losses

During 2018/19 no impairment losses have been recognised, other than those identified as part of the non-current assets valuation process carried out by Wilks, Head and Eve, chartered surveyors on behalf of the Council. Note 14 provides further information in relation to the revaluation of non-current Assets.

## 40 Defined Benefit Pension Schemes

### Participation in pension schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, (LGPS) administered locally by Peninsula Pensions on behalf of the Somerset Pension Fund. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Regulations 2013, and is contracted out of the State Second Pension Scheme and currently provides benefits based on career average revalued salary and length of service on retirement with various protections in place for those members in the scheme before the changes took place.

The Somerset Pension Fund is operated under the regulatory framework of the Local Government Pension Scheme and the governance of the Scheme is the responsibility of the Pensions Committee of Somerset County Council. Policy is determined in accordance with the Pension Fund Regulations.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, and structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields, and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the General Fund the amounts required by statute as described in the accounting policies.

### Transactions relating Post-employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund 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:

| Transactions Relating to Post Employment Benefits | 2017/18 £000 | 2018/19 £000 |
|---|---|---|
| Comprehensive Income and Expenditure Statement | | |
| Cost of Services | | |
| - Administration expenses | 8 | 8 |
| Financing and Investment Income and Expenditure: | | |
| - Net interest on the defined liability | 455 | 426 |
| **Total Post Employment Benefits charged to the Provision of Services** | **463** | **434** |
| Remeasurement of the net defined liability comprising: | | |
| - Return on assets (excluding the amount included in the net interest expense) | 317 | 363 |
| - Change in financial assumptions | 667 | (1,046) |
| - Change in demographic assumptions | 0 | 1,612 |
| - Experience (gain) / loss on defined benefit obligation | 0 | 0 |
| - Liabilities assumed / (extinguished) on settlements | 0 | 0 |
| - Other actuarial (gains) / losses on assets | 0 | 0 |
| **Total Post Employment Benefit Charged to the Income and Expenditure Statement** | **984** | **929** |
| **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 | (463) | (434) |
| Actual amount charged against the General Fund balance for pensions in the year: | | |
| - Employers contributions payable to scheme | 587 | 599 |

**Pension Assets and Liabilities recognised in the Balance Sheet**

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

| Pensions Assets and Liabilities Recognised in the Balance Sheet | 2017/18 £000 | 2018/19 £000 |
|---|---|---|
| Present value of the defined benefit obligation | (29,265) | (28,232) |
| Fair value of plan assets (bid value) | 13,480 | 13,459 |
| Deficit/(Surplus) | (15,785) | (14,773) |
| Present value of unfunded obligation | (1,557) | (1,475) |
| **Net liability arising from defined benefit obligation** | **(17,342)** | **(16,248)** |

## Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

| Reconciliation of Fair Value of the Scheme Assets | 2017/18 £000 | 2018/19 £000 |
|---|---|---|
| **Opening balance as at 1st April** | **13,580** | **13,480** |
| Interest on assets | 330 | 328 |
| Return on assets less interest | 317 | 363 |
| Other actuarial gains/(losses) | 0 | 0 |
| Administration expenses | (8) | (8) |
| Contributions by employer including unfunded | 587 | 599 |
| Estimated benefits paid plus unfunded net of transfers in | (1,326) | (1,303) |
| **Closing balance as at 31st March** | **13,480** | **13,459** |

## Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

| Reconciliation of present value of the scheme liabilities | Funded liabilities: Local Government Pension Scheme | |
|---|---|---|
| | 2017/18 £000 | 2018/19 £000 |
| **Opening balances as at 1 April** | **(32,030)** | **(30,822)** |
| Interest cost | (785) | (754) |
| Change in financial assumptions | 667 | (1,046) |
| Change in demographic assumptions | 0 | 1,612 |
| Experience loss / (gain) on defined benefit obligation | 0 | 0 |
| Estimated benefits paid net of transfers in | 1,243 | 1,220 |
| Unfunded Pension Payments | 83 | 83 |
| **Closing balance as at 31 March** | **(30,822)** | **(29,707)** |

## Local Government Pension Scheme assets comprised:

| LG Pension Scheme Assets | 2017/18 | 2018/19 |
|---|---|---|
| Equities | 72% | 70% |
| Gilts | 6% | 6% |
| Other bonds | 9% | 9% |
| Property | 9% | 9% |
| Cash | 4% | 6% |
| **Total** | **100%** | **100%** |

## Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels etc.

The Peninsula Pensions administered pension fund liabilities have been estimated by Barnett Waddingham LLP, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2016.

The significant assumptions used by the actuary have been:

| Basis for Estimating Assets and Liabilities | 2017/18 | 2018/19 |
|---|---|---|
| Long-term expected rates of return on assets in the scheme: | | |
| Mortality assumptions: | | |
| Longevity at 65 for current pensioners | | |
| - Males | 24.0 | 22.9 |
| - Females | 25.2 | 24.0 |
| Longevity at 65 for future pensioners | | |
| - Males | 26.2 | 24.6 |
| - Females | 27.5 | 25.8 |
| Rate of inflation - RPI | 3.4% | 3.5% |
| Rate of inflation - CPI | 2.4% | 2.5% |
| Rate of increase in salaries | 3.9% | 4.0% |
| Rate of increase in pensions | 2.4% | 2.5% |
| Rate for discounting scheme liabilities | 2.5% | 2.4% |
| Take up option to convert annual pension into retirement lump sum | 10.0% | 10.0% |

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the project unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

**Impact on the Council's Cash Flows**

The liabilities show the underlying commitments that the Council has in the long term to pay post-employment (retirement) benefits. The total liability of £16.248m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for the funding of the deficit mean that the financial position of the Council remains healthy.
The deficit on the Local Government Pension Scheme will be made good by increased contributions over the working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

The Council expects to pay £0.528m in contributions to the scheme in 2019/20.

| Sensitivity Analysis | £000 | £000 | £000 |
|---|---|---|---|
| **Adjustment to discount rate** | **0.1%** | **0.0%** | **-0.1%** |
| Present value of total obligation | 29,289 | 29,707 | 30,132 |
| **Adjustment to long term salary increase** | **0.1%** | **0.0%** | **-0.1%** |
| Present value of total obligation | 29,707 | 29,707 | 29,708 |
| **Adjustment to pension increases and deferred revaluation** | **0.1%** | **0.0%** | **-0.1%** |
| Present value of total obligation | 30,132 | 29,707 | 29,288 |
| **Adjustment to mortality age rating assumption** | **+1 Year** | **None** | **-1 Year** |
| Present value of total obligation | 30,980 | 29,707 | 28,488 |

## 41 Contingent Liabilities

As at 31 March 2019 the Council had the following contingent liabilities:

**Clanville Housing**
The Council continues to maintain its adopted Low Cost Home Ownership Scheme in respect of Clanville Grange in Minehead. In January 2014 the Council adopted a revised Affordable Home Ownership Policy such that in future it will continue to be required to re-purchase (at a discounted price) when owners wish to sell the properties but when they are sold on, they will be sold with a 25% discount and with a restrictive Covenant rather than a Deed of Pre-emption. This means that there will be no ongoing liability to the Council. The Council has an on-going liability for five properties with no properties within the scheme currently owned by the Council.

**Municipal Mutual Insurance**
In 1992/93 the Council's then insurer, Municipal Mutual Insurance Limited, ceased accepting new business and the Council was obliged to make new arrangements for insurance. A number of claims were outstanding at that time and, in common with many other local authorities, this Council joined in a scheme of arrangement to meet all outstanding claims. On 28 March 2012 the Supreme Court ruled that the insurer who was on risk at the time of an employee's exposure to asbestos was liable to pay compensation for the employee's mesothelioma. West Somerset Council is listed as Scheme Creditors party to the contingent Scheme of Arrangement sanctioned by the Court in January 1994. Municipal Mutual Insurance may therefore ask for West Somerset to pay a percentage of the paid out figure and may also ask for the same percentage figure as further claims are paid. It is not possible at this point in time to predict with any accuracy the potential contribution the Council may be required to pay.

**South West Audit Partnership Limited**
In March 2013, new governance arrangements were approved with the formation of a new company limited by guarantee to replace the previous Joint Committee. At its Full Council meeting on 27 February 2013, West Somerset District Council elected to become a Member of the Company – South West Audit Partnership Ltd – with effect from 1 April 2013.

## 42 Contingent Assets

**Hinkley Point C**

There are two s106 agreements in place, one in relation to the site preparation works planning permission granted by West Somerset Council in January 2012 and the other in relation to the development consent order granted by the Secretary of State in March 2013. Thus far, all contributions have been paid on time and in full. A total of £0.142m is due in April 2019 and another £0.332m is due in May 2019.

The income which is due to be paid to West Somerset is largely triggered by 'transition' or anniversaries of 'transition'. The transition from the site preparation works planning permission to the development consent order took place in June 2016.

The Council will receive a minimum of £4.622m (maximum £5.478m) in total from the s106 relating to the development consent order. The payments are due over a number of years with the last one due in 2023.

## 43 Nature and Extent of Risks Arising From Financial Instruments

The Council has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with The Prudential Code for Capital Finance in Local Authorities (both revised in December 2017).

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance for Local Authorities. This guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy, together with its Treasury Management Practices, are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The Council's treasury management activities expose it to a variety of financial risks. The key risks are:

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

**Credit risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

The Council manages credit risk by ensuring that investments are placed with organisations of high credit quality as set out in the Treasury Management Strategy.

The 2018/19 Treasury Management Strategy which incorporated the prudential indicators was approved by Council on 23 February 2018 and is available on the Council website. The key issues within the 2018/19 strategy were:

- The Authorised Limit for 2018/19 was set at £24.000m. This is the maximum limit of external borrowings or other long-term liabilities.
- The Operational Boundary was expected to be £12.000m. This is the expected level of debt and other long-term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and fully based on the Council's net debt.

The Finance Team implement these policies. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

**Credit Risk Exposure**

The Council has the following exposure to credit risk at as 31 March 2019:

**Investments**

The investment risk is minimised through the Annual Investment Strategy which requires that deposits are not made with financial institutions unless they meet minimum credit criteria, as laid down by the credit agencies recommended by the Council's treasury advisors, Arlingclose. The Annual Investment Strategy also imposes a maximum sum to be invested with each financial institution.

The table below summarises the credit risk exposures of the Council's investment portfolio by credit rating:

| 2017/18 Long Term £000 | 2017/18 Short Term £000 | Credit Rating | 2018/19 Long Term £000 | 2018/19 Short Term £000 |
|---|---|---|---|---|
| 0 | 3,850 | AAA | 0 | 1,310 |
| 0 | 9,436 | AA | 0 | 7,042 |
| 0 | 3,000 | Unrated | 0 | 5,000 |
| **0** | **16,286** | **Total** | **0** | **13,352** |

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies adjusted for current and forecast economic conditions. A two-year delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a "D" credit rating or equivalent. At 31st March 2019, £0.001m (2018: £0.002m) of loss allowances related to treasury investments.

**Trade Receivables**

The Council does not generally allow credit for its customers. The total Council debt due can be shown by the aged debt analysis as follows:

| | 31 March 2018 £000 | 31 March 2019 £000 |
|---|---|---|
| Less than three months | 282 | 164 |
| Three to six months | 95 | 64 |
| Six months to one year | 128 | 155 |
| More than one year | 311 | 388 |
| **Total** | **816** | **771** |

At the beginning of 2018/19 the provision for impairment of sundry debts (excluding council tax, business rates and housing benefits) stood at £0.141m. The Council has now made a provision for impairment of sundry debts of £0.112m in the 2018/19 accounts, which is an overall decrease of £0.029m. The revised level of provision has been reviewed in light of the current economic conditions.

**Liquidity risk**

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day-to-day cash flow need, and the PWLB (Public Works Loan Board) and money markets for access to longer-term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

**Market risks:**

**Interest rate risk**

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed 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 borrowing will fall (no impact on revenue balances);
- **Investments at variable rates –** the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- **Investments at fixed rates** – the fair value of the assets will fall (no impact on revenue balances).

If all interest rates had been 1% higher (will all other variables held constant) the financial effect would be immaterial.

**Price risk**

The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

**Foreign exchange risk**

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

# Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to Local Authorities and the Government of council tax and non-domestic rates.

| 2017/18 Business Rates £000 | 2017/18 Council Tax £000 | 2017/18 Total £000 | | 2018/19 Business Rates £000 | 2018/19 Council Tax £000 | 2018/19 Total £000 |
|---|---|---|---|---|---|---|
| | | | **Income** | | | |
| (13,933) | 0 | **(13,933)** | Business Rates Receivable | (18,129) | 0 | **(18,129)** |
| 0 | (22,726) | **(22,726)** | Council Tax Receivable | 0 | (24,169) | **(24,169)** |
| **(13,933)** | **(22,726)** | **(36,659)** | **Total Income** | **(18,129)** | **(24,169)** | **(42,298)** |
| | | | **Expenditure** | | | |
| | | | Apportionment of Previous Year Surplus: | | | |
| 601 | 0 | **601** | Central Government | 494 | 0 | **494** |
| 108 | 325 | **433** | Somerset County Council | 89 | 261 | **350** |
| 0 | 53 | **53** | Police and Crime Commissioner for Avon and Somerset | 0 | 42 | **42** |
| 12 | 24 | **36** | Devon and Somerset Fire and Rescue Authority | 10 | 19 | **29** |
| 481 | 64 | **545** | West Somerset Council | 396 | 51 | **447** |
| **1,202** | **466** | **1,668** | | **989** | **373** | **1,362** |
| | | | Precepts and Demands: | | | |
| 8,275 | 0 | **8,275** | Central Government | 8,328 | 0 | **8,328** |
| 1,489 | 15,590 | **17,079** | Somerset County Council | 1,499 | 16,795 | **18,294** |
| 0 | 2,520 | **2,520** | Police and Crime Commissioner for Avon and Somerset | 0 | 2,730 | **2,730** |
| 166 | 1,131 | **1,297** | Devon and Somerset Fire and Rescue Authority | 167 | 1,184 | **1,351** |
| 6,620 | 2,111 | **8,731** | West Somerset Council * | 6,662 | 2,217 | **8,879** |
| 0 | 953 | **953** | Parish Councils | 0 | 1,009 | **1,009** |
| **16,550** | **22,305** | **38,855** | | **16,656** | **23,935** | **40,591** |
| | | | Charges to the Collection Fund: | | | |
| (6) | 67 | **61** | Increase/Decrease in Bad Debt Provision | 278 | 166 | **444** |
| 640 | 0 | **640** | Increase/Decrease in Provision for | 1,564 | 0 | **1,564** |
| (131) | 0 | **(131)** | Appeals Settled in Year | (31) | 0 | **(31)** |
| (3,514) | 0 | **(3,514)** | Transitional Protection Payments | (1,235) | 0 | **(1,235)** |
| 29 | 0 | **29** | Disregarded Amounts | 29 | 0 | **29** |
| 4 | 0 | **4** | Interest on Refunds | 0 | 0 | **0** |
| 78 | 0 | **78** | Cost of Collection | 77 | 0 | **77** |
| **(2,900)** | **67** | **(2,833)** | | **682** | **166** | **848** |
| **919** | **112** | **1,031** | **(Surplus) / Deficit for the year** | **198** | **305** | **503** |
| (1,972) | (611) | (2,583) | (Surplus) / Deficit b/fwd 1st April | (1,053) | (499) | (1,552) |
| **(1,053)** | **(499)** | **(1,552)** | **(Surplus) / Deficit c/fwd 31st March** | **(855)** | **(194)** | **(1,049)** |
| | | | Attributable to: | | | |
| (526) | 0 | **(526)** | Central Government | (428) | 0 | **(428)** |
| (95) | (349) | **(444)** | Somerset County Council | (77) | (136) | **(213)** |
| 0 | (57) | **(57)** | Avon and Somerset Police Authority | 0 | (22) | **(22)** |
| (11) | (25) | **(36)** | Devon and Somerset Fire and Rescue Authority | (8) | (10) | **(18)** |
| (421) | (68) | **(489)** | West Somerset Council | (342) | (26) | **(368)** |
| **(1,053)** | **(499)** | **(1,552)** | | **(855)** | **(194)** | **(1,049)** |

* Please note the West Somerset Council (WSC) council tax precepts of £2.217m includes £0.025m in respect of the Somerset Rivers Authority which West Somerset Council collects on their behalf.

## 44 Income from Business Ratepayers

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area, which are based on local rateable values multiplied by a uniform rate. The Local Government Act 2015 introduced a business rates retention scheme that enables local authorities to retain a proportion of the business rates generated in their area. WSC pays 50% to Central Government, 9% to Somerset County Council, 1% to the Devon and Somerset Fire and Rescue Authority and retains 40% for itself.

The total non-domestic rateable value as at 31 March 2019 was £45,868,350 (28 March 2018 £44,751,115). The standard national non-domestic multiplier for the year was £0.493 (2017/18 £0.479), the national domestic small business multiplier for the year was £0.480 (2017/18 £0.466).

## 45 Council Tax Base

The Council's tax base for 2018/19, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply), converted to an equivalent number of Band D dwellings, was calculated as follows:

| Band | Chargeable Dwellings | Conversion Factor | Band D Equivalent |
|---|---|---|---|
| **A (Disabled)** | 2.48 | 5/9 | 1.38 |
| **A** | 1,873.38 | 6/9 | 1,248.92 |
| **B** | 2,842.81 | 7/9 | 2,211.07 |
| **C** | 3,190.27 | 8/9 | 2,835.79 |
| **D** | 2,936.04 | 9/9 | 2,936.04 |
| **E** | 1,670.65 | 11/9 | 2,041.91 |
| **F** | 1,168.48 | 13/9 | 1,687.80 |
| **G** | 625.32 | 15/9 | 1,042.20 |
| **H** | 41.40 | 18/9 | 82.81 |
| | **14,350.83** | | **14,087.92** |

# 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**
The concept that income and expenditure are recognised in the financial records as they are earned or incurred, not as the money is received or paid.

**Amortisation**
The loss in value of an intangible asset due to its use by the Council. Amortisation is a non-cash item, it is merely an accounting assessment.

**Amortised Cost**
The amount at which a financial asset or liability is measured at initial cost minus repayments and impairment, plus or minus the cumulative amortisation of the difference between the initial amount and the maturity amount. Amortisation is worked out using the effective interest rate (EIR).

**Apportionment**
The mechanism for allocating the cost of support services to front line and other services using appropriate bases to spread the cost fairly.

**Asset**
Something that West 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. debtors);
- Non-current assets provide West Somerset benefits for a period of more than one year.

**Assets Held for Sale**
Assets where it is expected that the carrying amount is going to be recovered principally through a sale transaction rather than continued use.

**Audit of Accounts**
The 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.

**Balances**
The accumulated surplus of revenue income over expenditure.

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

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

**Capital Adjustment Account**
The 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 council benefits from the expenditure. The account will also record the resources set aside to finance capital expenditure.

**Capital Charges**
Capital charges are a charge to services for the use of non-current assets in the provision of their services; the charges reflect depreciation and impairment.

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

**Capital Expenditure**
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 Financing Requirement**
The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow or finance by other long-term liabilities for a capital purpose.

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

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

**Carry Forwards**
Unspent revenue budget approvals, which the Council's appropriate committee is able to transfer into the following financial year.

**Cash Equivalents**
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**
A summary of the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes.

**Central Government Grants**
Central Government Grants comprise three types:

- Grants paid by Central Government to aid local council services in general, as opposed to specific grants, which may only be used for a specific purpose. Revenue Support Grant (RSG) and New Homes Bonus. 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. New Homes Bonus 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 for services in which Central Government have a more direct involvement.

- Supplementary grants – grants for both capital and revenue

**Chartered Institute of Public Finance and Accountancy (CIPFA)**
CIPFA is a privately funded professional body with charitable status, which represents accountants working in the public sector. The Institute provides financial and statistical information for local government and other public sector bodies and advises central government and other bodies on local government and public finance matters.

**CIPFA/LASAAC**
This board is responsible for preparing, maintaining, developing and issuing the Code of Practice on Local Authority Accounting in the United Kingdom. The Board is a partnership between CIPFA England and the Local Authority (Scotland) Accounts Advisory Committee.

**Code**
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 Fund**
Statutory funds recording the expenditure and income relating to council tax, non-domestic rates and residual community charge.

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

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

**Comprehensive Income and Expenditure Statement (CIES)**
A statement that consolidates all the gains and losses experienced by a council during the financial year.

**Council Tax**
The main source of local taxation for local authorities. Council tax is set by local authorities and is levied on all domestic dwellings whether houses, bungalows, flats, maisonettes, mobile homes or houseboats, and whether owned or rented. The proceeds are paid into the Council's Collection Fund for distribution to precepting authorities and for use by its own General Fund.

**Creditors**
The amounts of money West Somerset owes to others for goods and services that they have supplied in the accounting period but not paid for.

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

**Depreciation**
The 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**
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**
The amounts set aside from revenue to meet particular spending needs, including funding capital projects.

**Effective Interest Rate**
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.

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

**Fair Value (Financial Instruments)**
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)**
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**
The income raised by charging for the use of facilities or services.

**Financial Instruments**
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.

**Financing Transactions**
Transactions that 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.

**Housing Benefits**
The national system for giving financial assistance to individuals towards certain housing costs. West Somerset District Council administers the scheme for West Somerset residents. The Government subsidises the cost of the service.

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

**Income**
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**
Those assets, which do not have a realisable value and include roads and footpaths.

**International Financial Reporting Standards (IFRS)**
The International Financial Reporting Standards advising the accounting treatment and disclosure requirements of transactions so that a council's accounts 'present fairly' the financial position of the council.

**Investment**
The lending of surplus money to another party in exchange for interest.

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

**Liabilities**
Must be included in the financial statements when West Somerset District Council owes money to others. There are different types of liability:

- A current liability is a sum of money that will or might be payable during the next accounting period. e.g. creditors or cash overdrawn.

- A deferred liability is a sum of money that will not be payable until some point after the next accounting period or is paid off over a number of accounting periods.

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

**Long-term Investments**
Those investments which are intended to be held on a continuous basis for the activities of the Council.

**Materiality**
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 (MRP)**
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.

**Movement in Reserves Statement (MIRS)**
The movement in the year on the different reserves held by the Council, analysed into ‘usable reserves’ and ‘unusable reserves’.

**Net Book Value**
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**
The cost of replacing an asset in its existing condition and use.

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

**Non-Current Asset**
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**
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**
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**
Those assets e.g. land and buildings, used in the direct provision of services.

**Operating Leases**
A type of lease, usually for vehicles or equipment, which is similar to renting and which does not come within the government's capital control system. The risks and rewards of ownership of the asset must remain with the lessor for a lease to be classified as an operating lease.

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

**Precept**
The means by which Somerset County Council; Police and Crime Commissioner for Avon and Somerset; Devon and Somerset Fire and Rescue Authority and the parishes obtain their revenue income from the District Councils' Collection Fund.

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

**Rateable Value**
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 Transactions**
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**
The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at West Somerset's discretion.

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

**Revaluation Reserve**
Records the unrealised revaluation gains, arising since 1 April 2007 from holding non-current assets. Previously such gains were credited to the Fixed Asset Restatement Account.

**Revenue Expenditure**
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 from Capital under Statute**
Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's council tax.

**Revenue Support Grant (RSG)**
A general grant paid by the Government to local authorities as a contribution towards the cost of their services.

**Support Service Recharges**
Is a recharge from a department that provides professional and administrative support to other internal services.

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

**Useful Life**
The period over which the local authority will derive economic benefits from the use of a fixed asset.