South Somerset District Council

Statement of Accounts 2009/2010

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Introduction to South Somerset

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

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

Perhaps surprisingly, some 30 per cent of the workforce is employed in manufacturing – nearly double the national average. Large companies located in the district include Agusta Westland, Honeywell and Screwfix. Trading estates and business parks, housing a wide range of light industries, are also spread across South Somerset. Tourism contributes around £84 million a year to the local economy and supports more than 2,000 jobs. Although unemployment is low, there are pockets of rural and urban deprivation.

The Council employs 520 full time equivalent staff who work together with 60 elected councillors. It covers one of the biggest districts in the country, both in terms of geographical size and total population.

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

At the end of 2009/10, the authority agreed to a partnership with East Devon District Council. It now shares a Chief Executive with East Devon District Council and will work further to share managers and services in the new financial year.

Explanatory Foreword

The Key Accounting Standards and Statements

We have followed the Chartered Institute of Public Finance & Accountancy's Code of Practice on Local Authority Accounting in Great Britain in compiling our statement of accounts for 2009/10.

The accounts fairly reflect South Somerset District Council's financial position for the financial year ended 31 March 2010. Our accounting policies are outlined in this document and have been fairly and consistently applied. We keep proper and up-to-date accounting records and take all reasonable steps to prevent and detect fraud and other irregularities.

The Assistant Director - Finance and Corporate Services is the statutory officer responsible for the proper administration of the Council's financial affairs. She is now required by law to confirm that the Council's system of internal controls can be relied on to produce an accurate statement of accounts. Her statement of assurance for 2009/10 appears on page 15 of this document.

The comparative figures for 2008/09 shown in the Core Financial Statements have been restated in order to comply with the new presentation requirement in the 2009 SORP. There have been a few changes in accounting policy which are detailed further in the Statement of Accounting Policies and the individual notes to the Core Financial Statements (where applicable):

- The collection of National Non-Domestic Rates (NNDR) is carried out by the authority as an agent activity on behalf of Central Government. As such, debtor and creditor balances with NNDR taxpayers are not assets or liabilities of the Council. These are netted off any amounts due to or from the Government in order to give a net debit or credit balance. It is this amount that appears on the balance sheet as a debtor or creditor balance as appropriate.

- The collection of Council Tax is carried out on behalf of all the major preceptors (Somerset County Council, Avon & Somerset Police Authority and Devon & Somerset Fire & Rescue Authority) by the authority as an agent activity. As such, debtor and creditor balances with council taxpayers belong proportionately to South Somerset District Council and the major preceptors. The Council Tax income included in the Income & Expenditure Account for the year shall be the accrued income for the year. This is calculated by taking the demand on the Collection Fund plus the authority's share of the carry forward surplus/deficit on the Collection Fund as at the 31st March 2010. This amount is then adjusted for the authority's share of the surplus/deficit at 31st March 2009 that has not been distributed or recovered in the current year.

- The Senior Officer Remuneration disclosure note has had new requirements introduced to provide greater transparency and accountability to local taxpayers in respect of the total remuneration package for the senior team charged with the stewardship of the organisation.

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

Income and Expenditure Account (pg 25)

This account gives detailed information about total expenditure on the services that we provide. Income for each service is matched against the expenditure to show the net cost of services. The account also shows how much is received from council tax payers and from general government grants to help meet the cost of services.

Statement of Movement on the General Fund Balance (pg 26)

This statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

Statement of Total Recognised Gains and Losses (pg 27)

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth.

Balance Sheet (pg 28)

The balance sheet provides a snapshot of our financial position as at 31 March 2010. It sets out what we own and what we owe at that point in time.

Cashflow Statement (pg 29)

This statement summarises the total cash movements during the year for both capital and revenue purposes.

Collection Fund (pg 62-63)

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

Revenue Account Summary

Our revenue account - known as the General Fund - bears the net costs of providing day-to-day services. This section of the foreword will:

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

Comparing actual spending to budget

The budget for the year was supported by an increase in Council Tax of 3.75%. This gave a Band D Council tax of £147.78.

Our total net expenditure budget for the year was set at £19.9m. This represents the net cost of services taking into account:

- £39.3m of specific government grants;
- £13.3m income from fees and charges for services provided; and
- £1.9m of income from our investments.

It also included the following:

- Efficiency savings of £1.6m;

The total net expenditure budget for the year was financed by:

- £11.0m of business rates and general government grants (Formula Grant); and
- £8.9m of council tax income.

Our final revenue account for the year showed an under spend compared to the original and revised budget for the year. At the year end SSDC actually underspent on its original budget by £931k and its revised budget by £811k.

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

Explaining the big differences

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

- Financial Services were under spent by £345k. Although interest rates reduced to 0.5% the budget was exceeded because of a VAT reimbursement and income from a development site;

- Within Revenues and Benefits the under spend of £261k was due to additional income for prior year subsidy claims being received. Also higher than budgeted for income was achieved from legal fee costs and grant funding;

- Increased costs of maintaining the bring bank service and a fall in recycling income has contributed to Waste & Recycling budget being £261k overspent.

Reporting against budget

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

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

The table overleaf sets out the overall picture of the ‘above the line’ revenue budgets that will form part of the annual Statement of Accounts. It compares the position to the previous financial year and the original and revised budget for 2009/10. Following an organisational restructure in October 2009 comparable figures have been revised (figures in brackets are underspends):

Previous Year Spend 2008/09 £'000	Services	Original Budget 2009/10 £'000	Outturn Budget 2009/10 £'000	Actual Spend 2009/10 £'000	Variation £'000	
782	Strategic Management	1,024	879	718	(161)	F
(1,390)	Financial Services	(670)	(252)	(597)	(345)	F
1,486	ICT Services	1,358	1,107	990	(117)	F
166	Procurement & Risk Mang	213	235	197	(38)	F
116	Revenue & Benefits	21	15	(246)	(261)	F
1,055	Democratic Services	1,097	1,102	1,026	(76)	F
401	Legal Services	289	287	338	51	A
97	Fraud & Data Management	99	98	96	(2)	F
487	Human Resources	425	429	389	(40)	F
195	Place & Performance	345	454	404	(50)	F
603	Economic Development	620	570	576	6	A
689	Development Control	681	680	855	175	A
2,303	Spatial Policy	2,270	2,600	2,471	(129)	F
23	Community AD & Cohesion	0	90	89	(1)	F
312	Third Sector & Partnerships	352	336	332	(4)	F
495	Area East	446	573	502	(71)	F
361	Area North	364	379	321	(58)	F
434	Area South	455	382	362	(20)	F
496	Area West	505	484	482	(2)	F
143	Local Strategic Part'ship	45	102	55	(47)	F
613	Operations & Customer Focus	572	619	565	(54)	F
1,142	Environmental Health	1,184	1,150	1,093	(57)	F
84	Civil Contingencies	85	145	147	2	A
307	Engineering & Property	381	249	328	79	A
(10)	Building Control	(48)	(111)	(25)	86	A
1,824	Streetscene	1,837	1,822	1,851	29	A
3,427	Waste & Recycling	3,425	3,327	3,588	261	A
28	Licensing	6	1	(21)	(22)	F
345	Arts & Entertainment	327	(60)	7	67	A
352	Sport & Leisure Facilities	343	199	149	(50)	F
719	Community Health & Leisure	757	795	788	(7)	F
962	Housing & Welfare	790	786	754	(32)	F
381	Countryside	287	293	370	77	A
19,428	**Total Spend**	**19,885**	**19,765**	**18,954**	**(811)**	**F**

Reconciliation to the Income and Expenditure Account

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

Restated 2008/09 £'000		2009/10 £'000
19,428	Net expenditure per outturn report	18,954
(35)	Less Minimum Revenue Provision	(35)
	Add Back:	
5,379	Statement of Movement on the General Fund Balance	5,252
434	LABGI, HPDG & Area Based Grant (included in General Government Grants)	456
3,255	Parish Precepts & Levies	3,457
28,461	**Net Operating Expenditure per the Income and Expenditure Account**	**28,084**

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

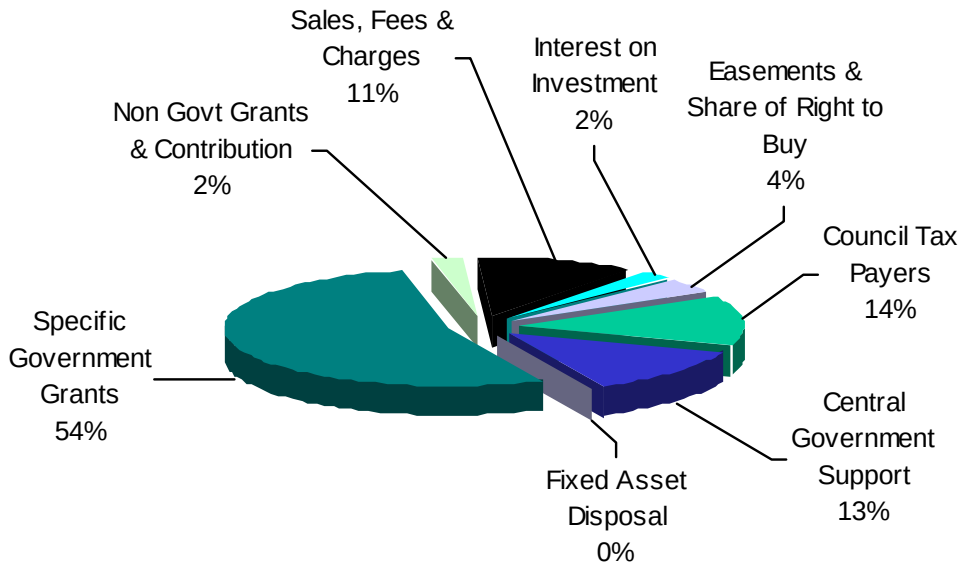
Restated 2008/09 £'000		2009/10 £'000
(83,493)	Gross Income – "Where the money came from"	(90,569)
88,924	Gross Expenditure – "Where the money went"	94,894
5,431	**Deficit for the year per the Income and Expenditure Account**	**4,325**

Where the money came from

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

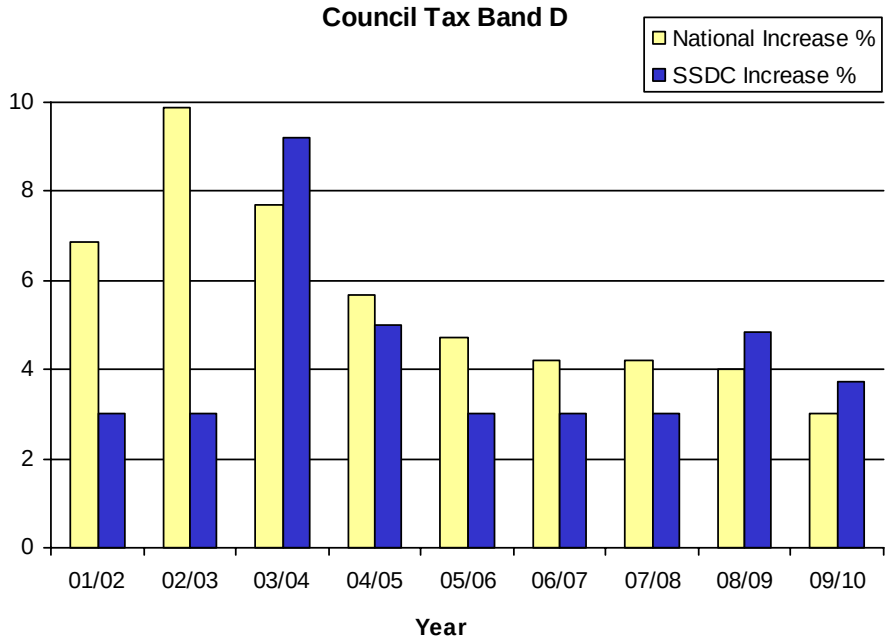
2008/09 £'000	Sources of Income	2009/10 £'000
11,745	Council Tax Payers (including Parish Precept of £3.457m)	12,305
11,285	Central Government Support	11,440
41,784	Specific Government Contribution	48,381
2,460	Non Government Grants & Contributions	2,173
10,741	Sales, Fees & Charges	10,242
3,071	Interest on Investment	2,225
260	Share of Right to Buy Receipts from former Council Dwellings	374
2,135	Easements	3,429
12	Disposal of Fixed Assets	0
83,493		**90,569**

Analysis of Gross Income



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

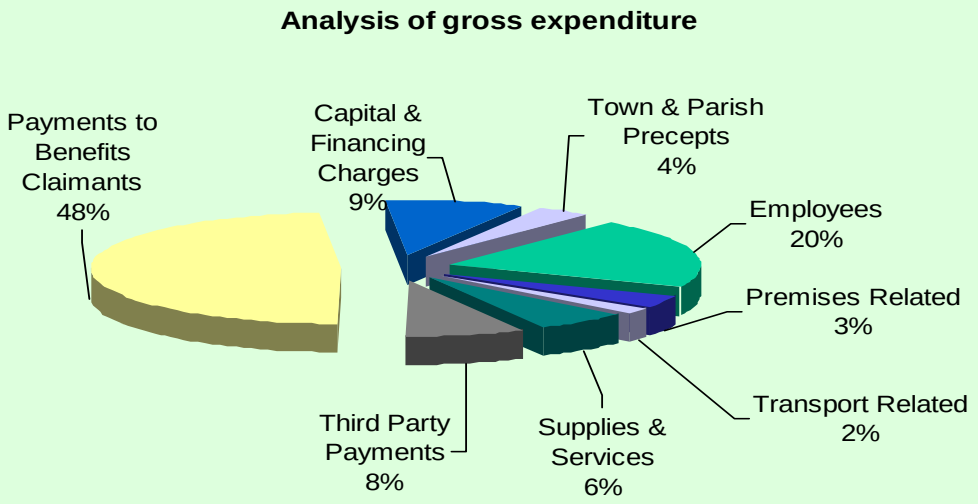
The following chart shows the Council Tax Band D increase (excluding Parish Precepts) for the last nine years:



Where the money went

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

Restated 2008/09 £'000	Categories of Expenditure	2009/10 £'000
19,572	Employees	19,311
3,045	Premises Related	3,183
1,896	Transport Related	1,506
7,354	Supplies and Services	5,776
7,354	Third Party Payments	7,387
39,023	Payments to Benefits Claimants	45,936
7,425	Capital & Financing Charges	8,338
3,255	Town & Parish Precepts	3,457
88,924	**Total**	**94,894**



The above summaries do not show how we used the money to deliver our five corporate priorities by spending on day-to-day core services. The way the money is spent in terms of the services paid for by Council Tax is explained on page 9.

Our treasury management performance

Investment income for 2009/2010 amounted to £2.23m. Of this amount, £2.21m was attributable to the performance of the Treasury Management Team.

It is key to our success in treasury management that our strategy is based upon minimising risk and safeguarding our capital sum. This must be balanced with maintaining stability of returns to the council and the levels of liquidity required throughout the year. All funds are managed in house with advice from specialist Treasury Management Advisors. This advice includes credit ratings for individual counter parties, groups, sovereign ratings and forecasts.

Once again performance exceeded the budget and the benchmark set for the year. The budget for income from interest was set at £1.77m and overall this was exceeded by £0.44m, with SSDC actually receiving £2.21m in 2009/10. This was principally due to a VAT reimbursement with an interest element of £563k, had we not received this, we would have underperformed by £0.12 m. The benchmark set is based on the 7-day LIBID rate; this averaged 0.39%, the actual rate earned was 2.8%.

Our portfolio of investments as at the 31st March 2010 is detailed in note 20 to the core financial statements.

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

Corporate Aim 1 – Increase economic vitality and prosperity

• £1.95m on concessionary fares & transport projects

• £2.58m on promoting economic development, including Yeovil Innovation Centre and road improvement

• £257k on promoting tourism

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

• £3.68m on waste management & recycling

• £1.84m on building control, development control and strategic planning

• £578k on countryside management

• (£1.20m) received through car park management

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

• £2.93m on housing strategy and advice

• £1.43m on environmental health

• £1.65m on promoting leisure activities

• £996K on homelessness

Corporate Aim 4 – Ensure safe, sustainable and cohesive communities

• £1.38m on area development activities

• £1.17m on street cleansing

• £1.10m on horticulture, grounds maintenance and environmental enforcement

• £845k on grants, including Community Voluntary Service and Citizens Advice Bureau grants and projects

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

• £1.30m on basic running costs associated with being a Council

• £864K on collecting Council Tax and Business Rates

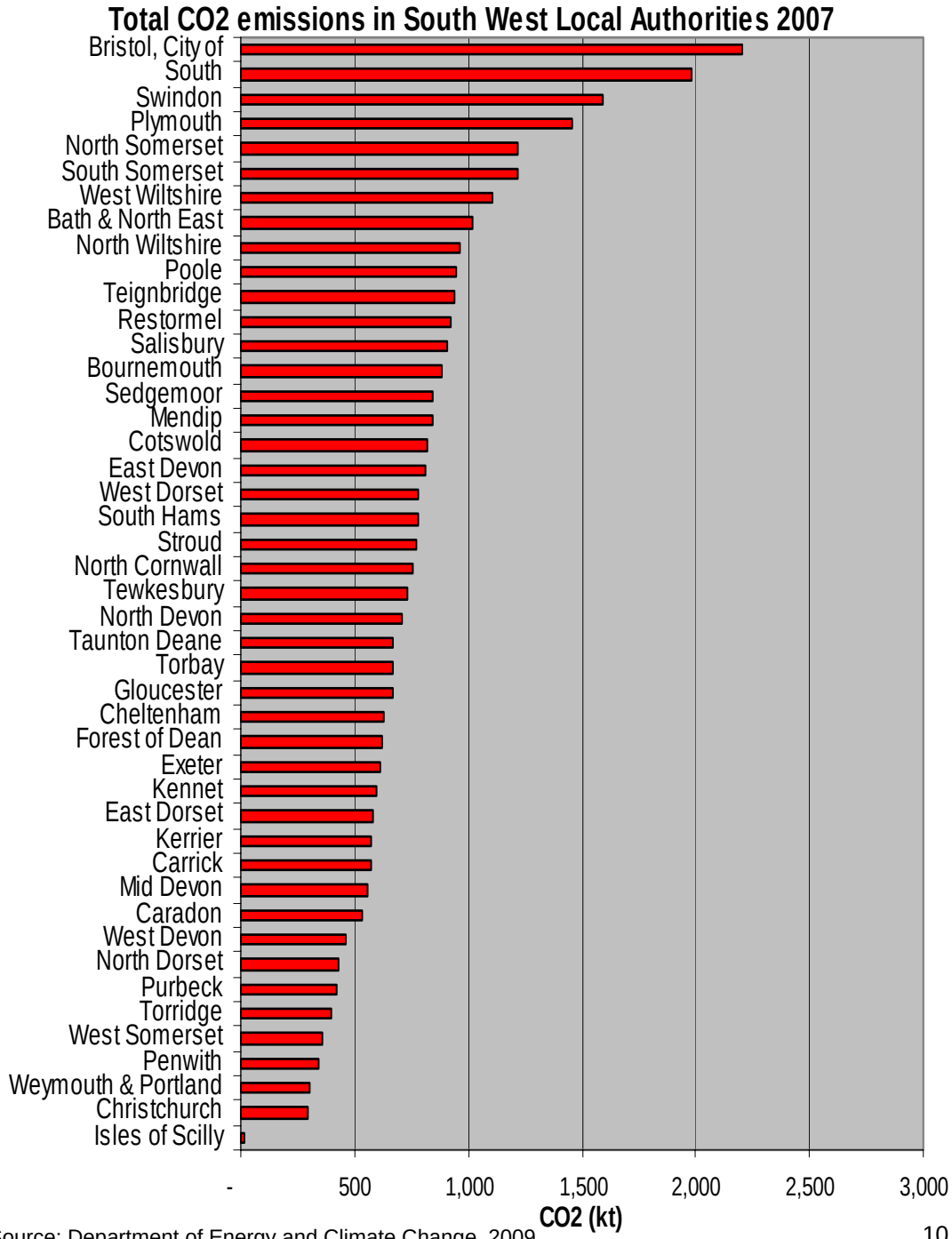
Carbon Management (not subject to audit)

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

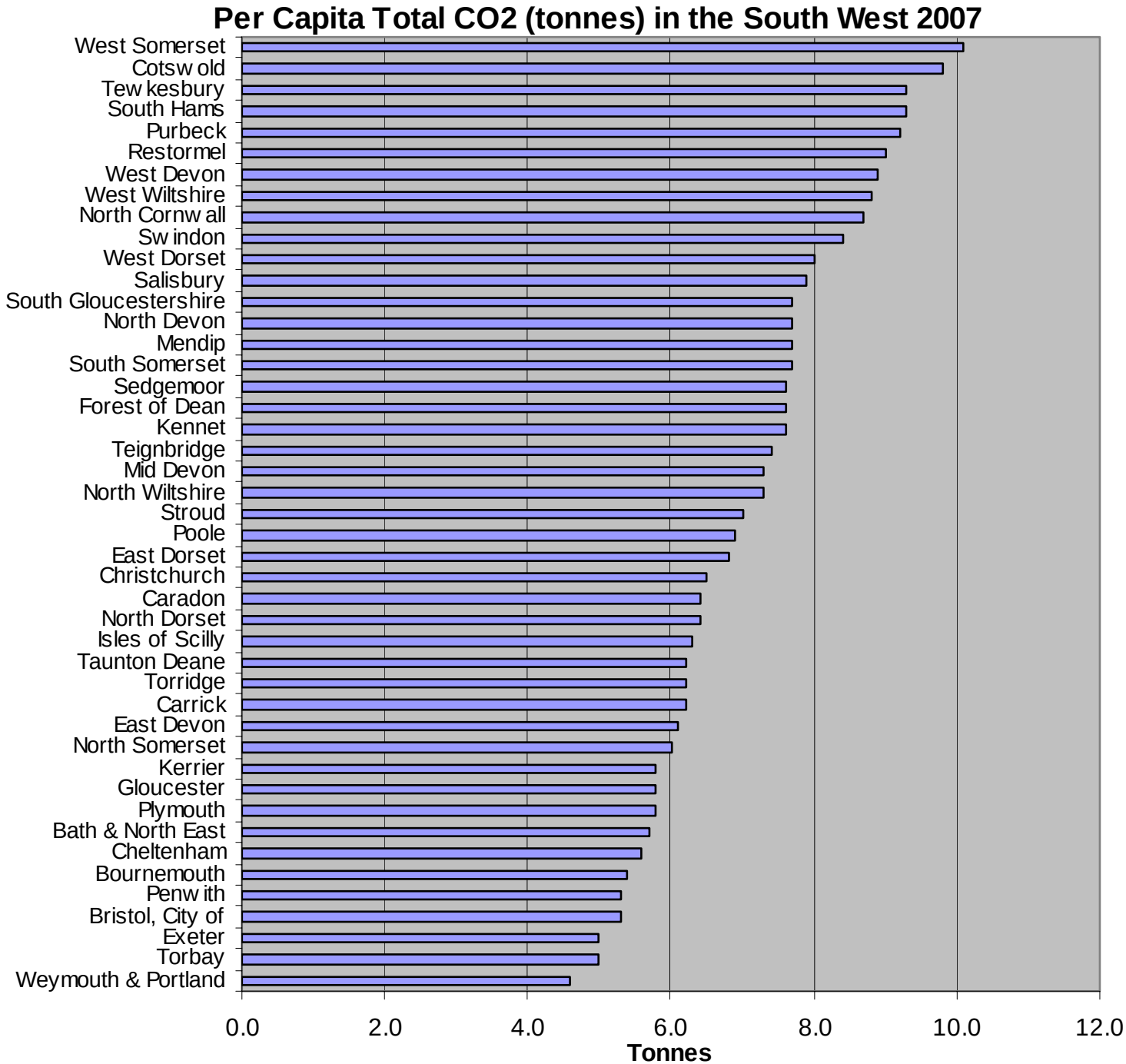
The Council's baseline for carbon emissions was calculated at 5,718 tonnes for 2007. This can be split between 2,553 tonnes for buildings and 3,165 for transport (Including commuting).

In 2009/10 the following carbon projects were instigated.

Project	Annual Savings Carbon (tonnes)	Contribution to Carbon Savings %
10% electricity savings from council offices switch off campaign	178	3.1
Fleet driver training	117	2.0
Replace server room cooling system	65	1.1
3 Carbon efficient vehicles	4	0.1
Total	**364**	**6.3**



Source: Department of Energy and Climate Change, 2009.



Source: Department of Energy and Climate Change, 2009.

Capital Account Summary

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

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

This section of the foreword will:

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

Comparing actual spending to budget

Our original budget plan for the year was to spend £11.25m on capital projects. We revised our capital budget for the year to take account of the position at the end of the 2008/09 financial year and progress on the ground with our capital projects. The revised budget total was £8.22m. The difference of £3 million between the original and revised budget is mostly due to slippage which we have programmed to spend in 2010/11. Our gross capital spend for the year was £6.26m.

Explaining the big differences

The amount spent was £1.96m less than the revised budget, with the main differences being:

- £208k underspent by the area committees, this was mainly attributable to delays in match funding;
- £134k underspent on the Gypsy and Traveller Acquisition Fund pending the identification of suitable sites;
- £375k underspent on the Reckleford Gyratory which is now almost complete, pending final agreement with the contractors;
- £149K relates to village hall schemes where the projects were awaiting tenders or where match funding needed to be confirmed;
- £80k relates to grants for parishes with play areas where the projects are almost complete but payments have yet to be made;
- £85k relates to the replacement of a road sweeper which has been delayed whilst a problem with another vehicle is resolved;
- £72k relates to the district-wide garden green waste roll-out which will continue into 2010/11.

Where the money went:

	Original Budget 2009/10 £'000	Outturn Budget 2009/10 £'000	Actual Spend 2009/10 £'000	Variation £'000
Finance & Corporate Services	465	428	296	132
Legal & Corporate Services	0	3	3	0
Place & Performance	403	43	38	5
Economy	1,334	1,148	874	274
Communities	3,233	2,947	2,130	817
Environment	3,035	2,587	2,122	465
Health & Well-being	2,778	1,069	802	267
Total Spent	**11,248**	**8,225**	**6,265**	**1,960**

Where the money came from:

Financing of Capital Expenditure	2009/10 £'000
Capital receipts	4,341
Capital grants from non-government funding partners	722
Capital grants from central government	1,202
Gross capital spend	**6,265**

As the table shows, we continued with our good record of levering in other people's money to help pay for our capital projects this year. We only contributed £4.3m towards the £6.3m we spent last year. This means, for every £1 of our capital resources we spent, we received 31p from external organisations.

Our capital receipts are very important to us. Income from our investments is required to support the revenue account each year. We began 2009/10 with £34.15m of capital receipts that could be used to fund capital expenditure and ended the year with £33.94m.

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

Restated 2008/09 Total £'000	Movement in Year	2009/10 Total £'000
41,951	Balance at beginning of year	34,146
	Add Proceeds from:	
260	- Right to buy receipts (from Yarlington Homes)	374
2,241	- Other assets	**3,647**
87	- Mortgages (After pooling)	113
	Less capital receipts applied:	
(10,393)	- To finance capital expenditure	(4,341)
34,146	**Balance at end of year**	**33,939**

(Brackets represent a reduction in the reserve)

The most significant receipts are £2.5 million for a payment towards an easement and £361K for a licence to develop a site. The other substantial receipts is £374k for our share of the proceeds from the sale of former council houses through Yarlington Homes and £390k from a deferred capital receipt of a car park.

Where the money went:

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

Corporate Aim 1 – Increase economic vitality and prosperity

- £1.33m on Reckleford Gyratory road scheme;
- £286k on other regeneration projects;
- £61k on Market Towns Vision projects.

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

- £108k on improvements to car parks;
- £32k on a Wind Turbine at Yeovil Innovation site.

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

- £720k on Disabled Facility Grants;
- £571k on Affordable housing and homelessness projects;
- £571k on replacing play equipment and play grants;
- £429k on environmental improvements;
- £353k on other housing grants:
- £344k on new pitches and refurbishments at gypsy sites;
- £75k on enhancements to the Octagon Theatre;
- £67k on sports facilities.

Corporate Aim 4 – Ensure safe, sustainable and cohesive communities

- £253k on grants administered by the Area Committees;
- £225k on Birchfield Sewer Pollution Control Works;
- £141k on grants to improve Village Halls.

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

- £589k on asset improvements;
- £112k on improved information systems.

Reserves and Balances Summary

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

The General Fund Balance (£3.61m) represents the accumulated revenue surpluses and should provide a financial cushion should anything unexpected happen that leads to unplanned expenditure. The actual value of unallocated balances we held at the 31 March 2010 was £2.89m. The remaining £0.72m has been allocated by the District Executive for specific purposes such as economic development and area committees.

An exercise is undertaken to establish the areas of significant risk within the revenue budget and the likelihood of the risk occurring. This assessment allows us to calculate how much money the Council should hold in reserve, for 2009/10 the figure is £2.19m.

In addition we maintain a number of earmarked reserves. These are special reserves we keep for specific types of expenditure in the future. Examples include election costs, leisure centre repairs, grant and leisure development. We added £1.76m to these reserves during the course of the year, but also spent £2.52m on specific projects during the year. As at 31 March 2010 we have £3.61m of these earmarked reserves.

Balance Sheet Summary

At 31 March 2010 the authority's net assets amounted to £16.27m (£46.32m at 31 March 2009).

The authority's net assets are significantly reduced by the inclusion of the pension scheme liability of £65.73m compared to £36.34m at 31 March 2009. The significant increase in the pension deficit is due to the fall in the valuation of the assets in the pension fund. The deficit will need to be made up through additional contributions from 2010/11 or further reform of the Local Government Pension Scheme. The present value of the pension scheme liabilities have risen to £124.36m (from £80.49m at 31 March 2009) and the fair value of the scheme assets have increased to £58.63m (£44.15m at 31 March 2009).

In practice the amount of net worth that can be used is £41.16m (Usable Capital Receipts £33.94m, Earmarked Reserves £3.61m and Balances £3.61m). The remaining -£24.88m is held in technical reserves which are not available for use.

Unusual charges and credits

During the year, we received a £2.5 million capital receipt from a developer as part payment for an easement over a site in Yeovil. We are due to receive a further £2.5 million over the next year.

The net value of our fixed assets decreased by £0.768m in 2009/10. This is made up of two elements – revaluation gains of £0.706m and impairment of £1.474m. The assets subject to revaluation gains were primarily assets which had not been valued for a few years in line with the Council's five year rolling programme. The assets that were impaired were mainly land and buildings and were an effect of the economic climate.

What residents have told us about where they live…

In the latest place survey (carried out between September 2008 – December 2008) residents have told us:

- 87% are happy with their local area as a place to live;
- 92% feel safe in the district during the day;
- 70% agree the council has contributed to making the district greener and cleaner; and
- 71% say the council treats all people fairly.

Progress in the year

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

Highlights included:

The Audit Commission in its inspection report under Use of Resources for 2008/09 said "Through robust financial planning, the Council has established a strong financial base for delivering its corporate priorities. It consistently delivers expenditure within budget, maintains balances above target levels, and has agreed a medium term strategy for using part of its significant capital reserves to help deliver corporate priorities".

Last year 172 affordable homes were built in South Somerset despite the recession and funding for a further 530 affordable homes was secured.

Introducing a district-wide garden collection service.

South Somerset District Council became one of only nine (out of over 270 councils) to send less that 400kg per household of waste to landfill.

Keeping over 93% of streets at an excellent standard of cleanliness and increasing our performance in dealing with fly tipping.

In partnership with Yeovil Town Council we won Gold for Britain in Bloom for our floral displays.

South Somerset won Green Flag awards for all three country parks.

Helping run under 18's 'Zero' nightclub events which were attended by 2,400 teenagers and promoted alcohol-free fun and a provided a safe evening venue.

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Council is required to:-

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that responsibility rests with the Assistant Director – Finance and Corporate Services;

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

- approve the Statement of Accounts.

Assistant Director – Finance and Corporate Services' Responsibilities

The Assistant Director – Finance and Corporate Services is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing this statement of accounts, the Assistant Director – Finance and Corporate Services has:

- selected suitable accounting policies and then applied them consistently;

- made judgements and estimates that were reasonable and prudent;

- complied with the CIPFA Code of Practice.

The Assistant Director – Finance and Corporate Services has also:

- kept proper accounting records which were up to date;

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

I confirm that this Statement of Accounts presents a true and fair view of the financial position of South Somerset District Council at the 31 March 2010 and its income and expenditure for the year ended 31 March 2010.

Signed:.....

Donna Parham, Assistant Director – Finance and Corporate Services

Date: 24 JUNE 2010

Statement of Accounting Policies

1. General Principles

The statement of accounts summarises the Council's transactions for the 2009/10 financial year and its position at the year-end of 31 March 2010. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009 – A Statement of Recommended Practice (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

2. Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the balance sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the balance sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

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

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

3. Receipts and Payments in Advance

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

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

4. Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate revenue account when the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year; where it becomes more likely than not that a transfer of economic benefits will not be required, the provision is reversed and credited back to the relevant revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant account if it is virtually certain that reimbursement will be received if the obligation is settled.

5. Reserves

The Council sets aside specific amounts as reserves to meet future expenditure that may arise or, as a means of saving amounts over several years to pay for large items of expenditure that fall outside the definition of provisions. Expenditure is not charged directly to any reserve.

Revenue reserves include earmarked reserves set aside for specific policy purposes such as general contingencies and cash flow management.

Balances and reserves may be allocated during the year for specific projects. Although the use of reserves affects the under/overspend position in the Income and Expenditure Account this is negated by a corresponding entry, transferring the monies in from the reserve, in the Statement of Movement in the General Fund Balance. However use of balances are the planned use of the overall general fund balance and so will show as an overspend within the Income and Expenditure Account.

Capital Reserves are not available for revenue purposes and some of them can only be used for specific statutory purposes. These reserves are explained in the relevant policies below and include the Revaluation Reserve and the Capital Adjustment Account.

6. Capital Receipts Reserve

These represent receipts from the sale of assets. These receipts are used to finance capital expenditure. However the useable element of the housing stock transfer receipt has and will be used, over several years, to assist Registered Social Landlords to provide new units of social housing.

7. Government Grants and Contributions (Revenue)

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of the entitlement to the grant/contribution and there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in revenue accounts with the service expenditure to which they relate.

Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

Area Based Grant (ABG) is a general grant allocated directly to local authorities as additional revenue funding to areas. It is allocated according to specific policy criteria rather than general formulae. Local authorities are free to use all of this non-ringfenced funding as they see fit to support the delivery of local, regional and national priorities in their areas. ABG should be included in the Income and Expenditure Account with other general sources of income.

Where grants are receivable on an authority meeting targets, but the terms do not specify that the grant is to be applied to the expenditure incurred in meeting those targets, such as Housing and Planning Delivery Grant (HPDG) and Local Authority Business Growth Incentive (LABGI), the income should be treated as a general grant.

8. Retirement Benefits

Employees of the Council are entitled to be members of The Local Government Pension Scheme, administered by Somerset County Council.

Under the SORP 2009, the Council has adopted the amendment to FRS17, Retirement Benefits.

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

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

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

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

- The change in net pension liability is analysed into seven components:

  - **Current service cost** – the increase in liabilities as a result of years service earned this year is allocated to the revenue accounts of services for whom the employees worked.

  - **Past service costs** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years is debited to the Net Costs of Services as part of Non Distributed Costs.

  - **Interest cost** – the expected increase in the present value of liabilities during the year as they move one year closer to being paid is debited to Net Operating Expenditure.

  - **Expected return on assets** – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return is credited to Net Operating Expenditure.

  - **Gains/losses on settlements and curtailments** – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees is debited to the Net Cost of Services as part of Non-Distributed Costs.

  - **Actuarial gains and losses** – changes in the net pension liability that arise because events have not coincided with assumptions made in the last actuarial valuation or because the actuaries have updated their assumptions are debited or credited to the Statement of Total Recognised Gains and Losses.

  - **Contributions paid to the Somerset County Council pension fund** – cash paid as employer's contributions to the pension fund.

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. This is affected by entries in the Statement of Movement in the General Fund Balance which remove notional debits and credits for retirement benefits and replace them with debits for cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end by way of an appropriation to the Pension Reserve.

Discretionary Benefits

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

9. VAT

The Council does not include VAT as part of income or expenditure, whether of a capital or revenue nature except where it is not able to recover VAT, in common with the requirements of SSAP 5.

10. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principle of the CIPFA Best Value Accounting Code of Practice (BVACOP) 2009. The total absorption costing principal is used where the full cost of overheads and support services are shared between users in proportion to the benefits received with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional democratic organisation.

- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account as part of Net Cost of Services.

11. Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) are capitalised at cost when they bring benefits to the Council for more than one financial year.

The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits. Intangible Fixed Assets are measured at amortised cost. For revaluation, impairment and disposals see accounting policies shown under tangible fixed assets.

12. Tangible Fixed Assets

Tangible Fixed Assets have a physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition

Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council, and the services that it provides, for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g repairs and maintenance) is charged to revenue as it is incurred. There are two exceptions to this:

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

Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement basis:

- Operational land and properties and other operational assets - lower of net current replacement cost or net realisable value in existing use.
- Infrastructure assets and community assets – historical cost, net of depreciation where relevant.
- Non-operational land and properties - lower of net current replacement cost or net realisable value in existing use

Net current replacement cost is assessed as:

- Non-specialised operational properties – their current value.
- Specialised operational properties – depreciated replacement cost.
- Investment properties and surplus assets – market value.

Assets included in the balance sheet at current value are re-valued on a five year rolling programme. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptional gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Capital expenditure incurred in enhancing assets or increasing their useful life is classed as enhancing expenditure.

Assets which have been significantly enhanced are brought forward in the five-year rolling programme to ensure that the independent valuer can correctly assess their new carrying value, this ensures that any potential overstatement only reflects a short timing difference between the enhancement taking place and the valuer assessing its impact on the asset's carrying value.

Impairment

The values of each category of assets and material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value.

Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for in the following ways:

- where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service's revenue account

- otherwise - written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals

When an asset is disposed or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Assets should be revalued when assets are declared surplus.

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

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

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

Depreciation

Depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the assets in the balance sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight line allocation over the life of the property as estimated by the valuer.

- Vehicles, plant and equipment - straight line allocation over the life of the asset.

- Infrastructure – straight line allocation over the life of the asset.

The following standard estimated lives are used for newly acquired assets:

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

Where an asset has major components with different estimated useful lives, these 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 31 March and the service accounts receive a full year's charge for depreciation as appropriate. Assets acquired during the year attract no charge.

Grants and contributions

Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

13. Charges to Revenue for Fixed Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.
- Amortisation of intangible fixed assets attributable to the service.

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

This is effected by entries in the Statement of Movement in the General Fund Balance which remove depreciation, impairment losses and amortisation charges and replace them with the statutory provision for repayment of debt by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

14. Revenue Expenditure Funded from Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the year.

Where the Council has determined to meet the cost of this expenditure from existing capital resources, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

15. Leases

Finance Leases

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased assets transfer to the Council. Rentals payable are apportioned between:

- a charge for the acquisition of the interest in the asset (recognised as a liability in the balance sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable) and
- a finance charge (debited to the Income and Expenditure Account as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally, meaning that the rentals are charged when they become payable. The Council is a lessor as it leases a number of commercial premises and business units.

16. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest of the instrument. This means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

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

17. Financial Assets

Financial assets are classified into two types:

- Loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market
- Available-for-sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. This means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

However, the Council has made a number of car loans, bicycle loans and loans for learning to members of staff at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the members of staff, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year. The reconciliation of amounts debited and credited to the Income and Expenditure Account to the net gain required against the General Fund Balance is managed by a transfer to, or from, the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Income and Expenditure Account.

Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income is credited to the Income and Expenditure Account when it becomes receivable by the Council.

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

Changes in fair value are balanced by an entry in the Available-for-sale Financial Instruments Reserve and the gain/loss is recognised in the Statement of Total

Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred - these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

18. Stocks and Work in Progress

Stock items are valued at the lower of cost and net realisable value of the separate items of stock or of groups of similar items. The exception are stocks held by the Streetscene Service which are valued on a average cost basis.

19. Contingent Liabilities

Contingent Liabilities are either possible obligations arising from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the Council's control; or present obligation that arises from past events but is not recognised because:

- it is not probable that a transfer of economic benefits will be required to settle the obligation, or
- the amount of the obligation cannot be recognised with sufficient reliability.

Material contingent liabilities have not been included in the expenditure of the accounts. They are instead shown as a note, unless the possibility of the transfer of economic benefits in settlement is considered to be remote.

Under FRS 12 the contingent liabilities are continually reassessed to determine whether a transfer of economic benefits is more or less likely.

If it becomes probable that a transfer of economic benefits will be required for an item previously disclosed as a contingent liability, then it is no longer recognised as a contingent liability but as a provision instead.

20. Interests in Companies and Other Entities

The Council has material interests in an entity that has the nature of a joint venture. The Council is required to prepare group accounts.

21. Related Party Transactions

These are where there is some element of control or influence by one party over another, or by a third party over the two parties. Financial Reporting Standard (FRS) 8 sets out the transaction types that need to be considered for disclosure and these areas have been reviewed in turn.

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 referred 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.

22. Discount Received on Early Repayment of Loans

Any discount received as a result of an early repayment of loan are to be taken immediately to the Income and Expenditure Account to be amortised to revenue over a minimum period equal to the outstanding term on the loan or 10 years (if shorter).

23. The Collection Fund

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and national non-domestic rates (NNDR). Further details on the Collection Fund use can be found on page 62.

24. Accounting for Council Tax

Up until 2008/09, the SORP required the Council Tax income included in the Income and Expenditure Account to be the amount that under regulation was required to be transferred from the Collection Fund to the General Fund of the Council.

The difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the Collection Fund shall be taken to the Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance.

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

The Council Tax income included in the Income & Expenditure Account for the year shall be the accrued income for the year. This is calculated by taking the demand on the Collection Fund plus the authority's share of the carry forward surplus/deficit on the Collection Fund as at the 31st March 2010. This amount is then adjusted for the authority's share of the surplus/deficit of 31st March 2009 that has not been distributed or recovered in the current year.

25. Accounting for National Non-Domestic Rates

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

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

Income & Expenditure Account

(Brackets represent income)

Restated Previous Year 2008/09 £'000	Service	Note	Expenditure 2009/10 £'000	Income 2009/10 £'000	Net Cost of Services 2009/10 £'000
2,394	Central Services		12,081	(10,012)	2,069
16,546	Cultural, Environmental and Planning Services		26,767	(8,609)	18,158
1,392	Highways and Transport		3,963	(3,022)	941
4,388	Housing Services		41,352	(38,388)	2,964
2,834	Corporate and Democratic Core		2,541	(70)	2,471
615	Non Distributed Costs		964	(11)	953
28,169	**Net Cost of Services**		**87,668**	**(60,112)**	**27,556**
(12)	Net Loss/(Profit) on Disposal of Fixed Assets	5			394
3,255	Precepts and Levies				3,471
758	Trading Surpluses and Deficits Account	2			121
(66)	Interest Payable(Discount on early redemption of loan) & Similar Charges	43			7
11	Contribution of Housing Capital Receipts to Government Pool				14
(3,071)	Interest & Investment Income	43			(2,225)
(260)	Share of Right to Buy Receipts from former Council Dwellings				(374)
(2,135)	Easements and other Capital Receipts	3			(3,429)
1,812	Pensions Interest Costs and Expected Return on Pensions Assets	44			2,549
28,461	**Net Operating Expenditure**				**28,084**
	Income from Taxation and General Government Grants				
(11,745)	Demand on Collection Fund				(12,319)
(1,760)	General Government Grants	7			(2,516)
(9,525)	Non-domestic Rate Redistribution				(8,924)
5,431	**Deficit for the year**				**4,325**

The deficit for the year is taken to the Statement of Movement on the General Fund Balance to calculate the General Fund Balance at the end of the year (page 26).

Statement of Movement on the General Fund Balance

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise Council Tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned

The 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.

Restated Previous Year 2008/09 £'000		Note	Current Year 2009/10 £'000
5,431	Deficit for the year on the Income and Expenditure Account		4,325
(5,379)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year.	10	(5,252)
52	Decrease / (Increase) in General Fund Balance for the year		**(927)**
(2,730)	General Fund Balance at start of year		(2,678)
(2,678)	**General Fund Balance at end of year**		**(3,605)**

The General Fund Balance at the end of the year is taken to the Balance Sheet to calculate SSDC's total net worth (page 28).

Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the deficit on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and available-for-sale financial assets and re-measurement of the net liability to cover the cost of retirement benefits.

(Figures in brackets represent a gain)

Restated Previous Year 2008/09 £'000		Current Year 2009/10 £'000
5,431	Deficit for the year on the Income and Expenditure Account	4,325
(4,495)	Surplus arising on revaluation of fixed assets	(1,431)
(923)	(Surplus)/Deficit arising on revaluation of available-for-sale financial assets	208
7,673	Actuarial losses on pension assets and liabilities	26,904
7,686	**Total recognised losses for the year**	**30,006**

In order to comply with the 2009 SORP, the council has made changes to its accounting policies regarding Council Tax and NNDR (see page 30 for further details). This resulted in a prior-year adjustment to be recognised in the 2008/09 comparatives which has reduced the total recognised losses for the year by £0.408 million. This figure was made up by the increase in the deficit for the year on the Income and Expenditure Account (£0.063 million), the removal of the deficit on the Collection Fund (£0.458 million) as this is now shared between all the major precepts and the removal of an error relating to soft loans (£0.013 million).

Montacute House - Montacute

Balance Sheet (Brackets represent liabilities)

Restated As at 31 March 2009 £'000	Restated As at 31 March 2009 £'000		Note	As at 31 March 2010 £'000	As at 31 March 2010 £'000
		FIXED ASSETS			
	80	**Intangible Fixed Assets**	11		65
		Tangible Fixed Assets			
		Operational Assets			
	37,726	Land & Buildings	12		38,660
	2,437	Vehicles Plant & Equipment	12		2,601
	36	Infrastructure Assets	12		637
	1,056	Community Assets	12		673
		Non-Operational Assets			
	8,929	Investment Properties	13		8,155
	22	Assets under Construction	13		106
	755	Surplus Assets held for Disposal	13		275
	51,041	**TOTAL FIXED ASSETS**			51,172
	18,082	Long Term Investments	20		15,099
	713	Long Term Debtors	21		612
	0	Deferred Premiums			0
	69,836	**TOTAL LONG TERM ASSETS**			66,883
		CURRENT ASSETS			
147		Stocks & Work-in-Progress		134	
4,701		Debtors	22	6,751	
21,572		Investments	20	24,050	
1,128		Cash and bank		10	
	27,548	**TOTAL CURRENT ASSETS**			**30,945**
	97,384	**TOTAL ASSETS**			**97,828**
		LESS: CURRENT LIABILITIES			
(6,920)		Creditors	23	(6,665)	
0		Bank Overdraft		(925)	
	(6,920)				**(7,590)**
	90,464	**TOTAL ASSETS LESS CURRENT LIABILITIES** (c/f)			**90,238**

Restated As at 31 March 2009 £'000		Note	As at 31 March 2010 £'000
90,464	**TOTAL ASSETS LESS CURRENT LIABILITIES** (b/f)		**90,238**
0	Long Term Borrowing	24	0
(80)	Deferred Liabilities Finance Lease	12	(44)
(15)	Provisions	25	(20)
(275)	Developers Contributions Deferred	26	(348)
(7,436)	Government Grants-Deferred	27	(7,791)
(36,343)	Liability related to defined benefit pension scheme	44	(65,726)
46,315	**TOTAL NET ASSETS**		**16,309**
	Financed by:		
7,103	Revaluation Reserve	28	7,946
1,100	Available-for-Sale Financial Instruments Reserve	29	892
32,890	Capital Adjustment Account	30	31,802
120	Financial Instruments Adjustment Account	31	101
222	Deferred Credits	32	162
34,146	Capital Receipts Reserve	33	33,939
(36,343)	Pensions Reserve	34	(65,726)
4,371	Earmarked Reserves	35	3,608
2,678	General Fund Balances		3,605
28	Collection Fund Adjustment Account	41	(20)
46,315	**TOTAL NET WORTH**		**16,309**

These financial statements replace the unaudited financial statements authorised at the meeting of Audit Committee on 24 June 2010.

Signed: ..... Date: 23 September 2010

Donna Parham, Assistant Director – Finance and Corporate Services

Cash Flow Statement (Brackets on this page represent income)

Restated 2008/09 £'000	Restated 2008/09 £'000		2009/10 £'000	2009/10 £'000
		REVENUE ACTIVITIES		
		Cash outflows		
19,292		Cash paid to and on behalf of employees	19,328	
19,917		Other operating cash payments	20,141	
30,392		Housing Benefit paid out	36,235	
0		National Non Domestic Rate payments to national pool	0	
3,254		Precepts paid	3,457	
11		Payments to the Capital Receipts Pool	14	
	72,866			79,175
		Cash inflows		
(813)		Rents (after rebates)	(835)	
(10,549)		Council Tax receipts	(10,649)	
0		National Non Domestic Rate receipts	0	
(9,525)		National Non Domestic Rate receipts from national pool	(8,924)	
(1,326)		Revenue Support Grant (Note 49)	(2,060)	
(36,707)		DWP grants for benefits (Note 49)	(47,362)	
(4,829)		Other government grants (Note 49)	(1,789)	
(10,633)		Cash received for goods and services	(11,170)	
(2,355)		Other operating cash receipts	(2,515)	
	(76,737)			(85,304)
	(3,871)	**Net cash outflow from Revenue Activities** (Note 45)		**(6,129)**
		RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
		Cash outflows		
(69)		Interest Paid	5	
3		Interest Element of Finance Lease	2	
		Cash inflows		
(3,062)		Interest Received	(2,437)	
	(3,128)	**Net Cash inflow from servicing of finance**		**(2,430)**
	(6,999)	Sub Total carried forward		**(8,559)**

Restated 2008/09 £'000	Restated 2008/09 £'000		2009/10 £'000	2009/10 £'000
	(6,999)	Sub Total brought forward		**(8,559)**
		CAPITAL ACTIVITIES		
		Cash outflows		
3,810		Purchase of fixed assets	912	
8,902		Purchase of long term investments	3,125	
4,052		Other capital cash payments	3,266	
16,764			7,303	
		Cash inflows		
(642)		Sale of fixed assets	(57)	
(3,323)		Capital Grants received	(642)	
0		Sale of long term investments	(3,861)	
(2,544)		Other capital cash receipts	(3,524)	
(6,509)			(8,084)	
	10,255	**Net cash outflow from capital activities**		**(781)**
	3,256	**NET CASH OUTFLOW BEFORE FINANCING**		**(9,340)**
		MANAGEMENT OF LIQUID RESOURCES		
	(12,090)	Net decrease in short term investments (Note 48)		388
	5,140	Other Liquid Resources		10,960
		FINANCING		
		Cash out flows		
2,000		Loans Repaid (Note 47)	0	
80		Capital element of finance lease rental payments	36	
	2,080			36
	(1,614)	**NET (INCREASE) / DECREASE IN CASH**		**2,044**

Notes to the Core Financial Statements

(Brackets on the following notes represent income)

1. CHANGES IN ACCOUNTING POLICY AND RESTATEMENT OF 2008/09 FINANCIAL STATEMENTS

In order to comply with the 2009 SORP, the council has made changes to its accounting policies as follows:

- The collection of NNDR is carried out by the authority as an agent activity on behalf of Central Government. As such, debtor and creditor balances with NNDR taxpayers are not assets or liabilities of the Council. These are netted off any amounts due to or from the Government in order to give a net debit or credit balance. It is this amount that appears on the balance sheet as a debtor or creditor balance (as appropriate).

- The collection of Council Tax is carried out by the authority as an agent activity on behalf of all the major preceptors – Somerset County Council, Avon & Somerset Police Authority and Devon & Somerset Fire & Rescue Authority.
    - As such, debtor and creditor balances with council tax payers belong proportionately to South Somerset District Council and the major preceptors.
    - The Council Tax income included in the Income & Expenditure Account for the year shall be the accrued income for the year. This is calculated by taking the demand on the Collection Fund plus the authority's share of the carry forward surplus/deficit on the Collection Fund as at the 31st March 2010. This amount is then adjusted for the authority's share of the surplus/deficit of 31st March 2009 that has not been distributed or recovered in the current year.

It has also come to light that the two leases reclassified as Finance Leases in 2008/09 increasing the Capital Financing Requirement by £116,000 was not reflected in the accounts. They were erroneously treated as being financed from usable capital receipts which overstated the Capital Adjustment Account by £116,000, consequently the Minimum Revenue Provision of £36,000 was omitted, affecting the Statement of Movement on the General Fund Balance as well as the Capital Adjustment Account. The net overstatement to the Capital Adjustment Account was £80,000.

In addition, an accounting error regarding the deficit arising on writing down of soft loans to fair value was made, resulting in the Long Term Debtors and Financial Instruments Adjustment Account being understated by £13,000. The Statement of Movement on the General Fund Balance was overstated by this amount.

The comparative figures for 2008/09 shown in the Income and Expenditure Account and the Statement of Movement on the General Fund Balance have been restated in order to comply with the new presentation required by the 2009 SORP, which is shown in the following extracts :

Prior Year before Adjustment (not published) £'000	Prior Year Net Expenditure £'000		2009/10 Expenditure £'000
11,808	11,745	**Income & Expenditure Account extracts** Demand on Collection Fund	12,319
5,368	**5,431**	**(Surplus)/Deficit for the Year**	**4,325**
5,368	5,431	**Statement of Movement on the General Fund Balance extracts** Deficit for the Year on the Income and Expenditure Account	4,325
(5,352)	(5,379)	Net Additional Amount required by statute and non-statutory proper practices to be debited or credit to the General Fund Balance for the year	(5,252)
16	**52**	**(Increase)/Decrease in General Fund Balance for the Year**	**(927)**

Notes to the Core Financial Statements

(Brackets on the following notes represent income)

The comparative figures for 2008/09 shown in the Balance Sheet and the Statement of Recognised Gains and Losses have been restated in order to comply with the new presentation required by the 2009 SORP, which is shown in the following extracts :

Previous Year 2008/09			Current Year
As at 31 March 2009 before Adjustment (not published) £'000	**As at 31 March 2009 £'000**		**As at 31 March 2010 £'000**
		Balance Sheet extracts	
700	713	Long Term Debtors	612
6,572	4,701	Debtors	6,751
(8,616)	(6,920)	Creditors	(6,665)
46,477	**46,315**	Total Assets less Liabilities	**16,273**
32,970	32,890	Capital Adjustment Account	31,802
107	120	Financial Instruments Adjustment Account	101
0	28	Collection Fund Adjustment Account	(20)
34,030	34,146	Capital Receipts Reserve	33,939
2,714	2,678	General Fund Balances	3,605
203	0	Collection Fund	0
46,477	**46,315**	Total Net Worth	**16,273**
		Statement of Recognised Gains & Losses Extract	
5,368	5,431	Deficit for the year on the Income and Expenditure Account	4,325
458	0	(Surplus)/Deficit for the year on the Collection Fund	0
13	0	Deficits arising on writing down of soft loans to fair value	0
8,094	**7,686**	**Total recognised losses for the year**	**30,042**

Notes to the Core Financial Statements

(Brackets on the following notes represent income)

2. TRADING ACCOUNTS

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

Previous Year		Current Year		
2008/09 (Surplus) /deficit £'000		2009/10 Expenditure £'000	2009/10 Income £'000	2009/10 (Surplus) / deficit £'000
746	Properties	355	(213)	142
22	Markets	87	(60)	27
107	Catering	176	(90)	86
(117)	Careline	187	(321)	(134)
758	**Total Trading Accounts**	**805**	**(684)**	**121**

3. EASEMENTS AND OTHER CAPITAL RECEIPTS

The total value of Easements and other capital receipts was £3,429,000 which included £2,479,000 in respect of an easement over land at Birchfield Park, which enables the development of an access route to provide social and private housing to the Lyde Road key site, £361,000 in respect of a licence to develop the Foundry House site and £390,000 from a deferred capital receipt of a car park .

4. AGENCY SERVICES

Expenditure incurred in respect of the Rights of Way Agency agreement is as follows:

Previous Year		Current Year		
2008/09 (Surplus)/ Deficit £'000	Somerset County Council Rights of Way	2009/10 Expenditure £'000	2009/10 Income £'000	2009/10 (Surplus) / Deficit £'000
4	Routine maintenance	149	(152)	(3)

5. NET LOSS ON DISPOSAL OF FIXED ASSETS

The net loss on disposal of fixed assets amounted to £394,000, this includes a plot of land with a book value of £330,000 which was transferred to a Registered Social Landlord for nil consideration as part of the authority's programme on affordable housing. In addition a public convenience block with a book value of £74,000 was transferred to the Town Council for nil consideration. There were other smaller gains and losses on disposal which netted to a £10,000 gain.

6. EXECUTIVE REMUNERATION

Members Allowances – the total amount of Members Allowances paid in this financial year was £490,381 (2008/09 £477,637). Further information on Members Allowances is available on our website and may also be obtained from the Human Resources Service

Officers Remuneration – during the 2009/10 financial year the number of officers who received remuneration (which includes salary, leased car and termination payments) in excess of £50,000 were as follows:

Number of Employees 2008/09		Remuneration Band	Number of Employees 2009/10	
Total	Left during Year		Total	Left during Year
8	1	£50,000 - £54,999	4	2
6	0	£55,000 - £59,999	6	0
3	1	£60,000 - £64,999	1	0
0	0	£65,000 - £69,999	1	0
1	0	£70,000 - £74,999	1	0
1	0	£75,000 - £79,999	1	1
2	1	£80,000 - £84,999	0	0
3	0	£90,000 - £94,999	1	0
0	0	£95,000 - £99,999	1	0
1	0	£100,000 - £104,999	0	0
1	0	£135,000 - £139,999	0	0
0	0	£160,000 - £164,999	1	1
0	0	£175,000 - £179,999	1	1
0	0	£330,000 - £334,999	1	1

Senior Officers

A senior officer is an employee whose salary is more than £150,000 per year; or one whose salary is at least £50,000 (to be calculated pro rata for a part-time employee) and who are either the designated head of paid services, a statutory officer and any person having responsibility for the management of the relevant body, to the extent that the person has power to direct or control the major activities of the body.

Senior employees are typically an authority's Chief Executive (or equivalent), their direct reports (other than administration staff), and statutory chief officers. For South Somerset District Council, the senior employees are the Strategic Directors (Corporate Directors before the restructure) and the Assistant Directors with statutory roles.

Senior Officers Emoluments

Current Year 2009/10 Post Title	Name of Officer	Notes	Salary (Including Fees & Allowances) £'000	Compensation for Loss of Office £'000	Benefits In Kind £'000	Total Remuneration (Excl. Pension Contribution) £'000	Pension Contributions £'000	Total Remuneration (Inc. Pension Contributions) £'000
Chief Executive (resigned 19 Mar 2010)	P Dolan	Note 1	157	167	6	330	239*	569
Chief Executive	M Williams	Note 2	2	0	0	2	0	2
Total			**159**	**167**	**6**	**332**	**239**	**571**

Previous Year 2008/09 Post Title	Name of Officer	Notes	Salary (Including Fees & Allowances) £'000	Compensation for Loss of Office £'000	Benefits In Kind £'000	Total Remuneration (Excl. Pension Contribution) £'000	Pension Contributions £'000	Total Remuneration (Inc. Pension Contributions) £'000
Chief Executive	P Dolan		135	0	5	140	20	160

Note 1: Mr Dolan resigned (through redundancy) as Chief Executive on 19 March 2010, his annualised salary was £133,878 (£132,552 for 2008/09). The compensation for loss of service was a result of having a Joint Chief Executive. East Devon District Council contributed 40% (£165,854) towards this cost.

*A pension contribution of £219,000 was paid to Somerset County Council in 2010/2011 as part of this change.

Note 2: Mr Dolan was replaced by Mr Williams as Joint Chief Executive (of both South Somerset District Council and East Devon District Council) on 22 March 2010 with a contribution to East Devon District Council (as he is paid by that authority) of £2,143 (annualised contribution of £69,648). Mr Williams' salary is shared on a 50/50 basis.

Senior Officers Emoluments-Salary is between £50,000 and £150,000 Per Year

Current Year 2009/10 Post Title	Salary (Including Fees & Allowances) £'000	Expense Allowance £'000	Compensation for Loss of Office £'000	Benefits In Kind £'000	Total Remuneration (Excl. Pension Contributions) £'000	Pension Contributions £'000	Total Remuneration (Inc. Pension Contributions) £'000
Strategic Director (Place & Performance)	97	0	0	4	101	15	116
Strategic Director (Operations & Customer Focus)	93	0	0	4	97	14	111
Assistant Director (Finance & Corporate Services)	68	0	0	5	73	10	83
Assistant Director (Legal & Corporate Services)	67	0	0	8	75	10	85
Corporate Director - Health & Well-Being (resigned 5 Nov 2009)	56	0	121	0	177	131	308
Corporate Director - Economic Vitality (resigned 20 Oct 2009)	52	0	112	0	164	216	380
Total	**433**	**0**	**233**	**21**	**687**	**396**	**1,083**

During 2009/10, South Somerset District Council went through a restructure, leading to the resignation (through redundancy) of Corporate Director – Health & Well-Being and Corporate Director – Economic Vitality. As a result of the restructure, the holders of the statutory roles also changed the post titles from Head of Service to Assistant Director.

Previous Year 2008/09 Post Title	Salary (Including Fees & Allowances) £'000	Expense Allowance £'000	Compensation for Loss of Office £'000	Benefits In Kind £'000	Total Remuneration (Excl. Pension Contributions) £'000	Pension Contributions £'000	Total Remuneration (Inc. Pension Contributions) £'000
Corporate Director - Communities	100	0	0	4	104	14	118
Corporate Director - Economic Vitality	92	1	0	0	93	13	106
Corporate Director - Health & Well-Being	92	1	0	0	93	13	106
Corporate Director - Environment	92	0	0	3	95	13	108
Head of Finance	73	1	0	3	77	10	87
Head of Legal	72	0	0	5	77	10	87
Total	**521**	**3**	**0**	**15**	**539**	**73**	**612**

7. GOVERNMENT GRANTS

Previous Year 2008/09 £'000		Current Year 2009/10 £'000
1,326	Revenue Support Grant	2,060
387	Local Authority Business Growth Initiative Grant	340
0	Housing Planning & Delivery Grant	50
47	Area Based Grant	66
1,760	**Government Grants**	**2,516**

8. AUDIT COSTS

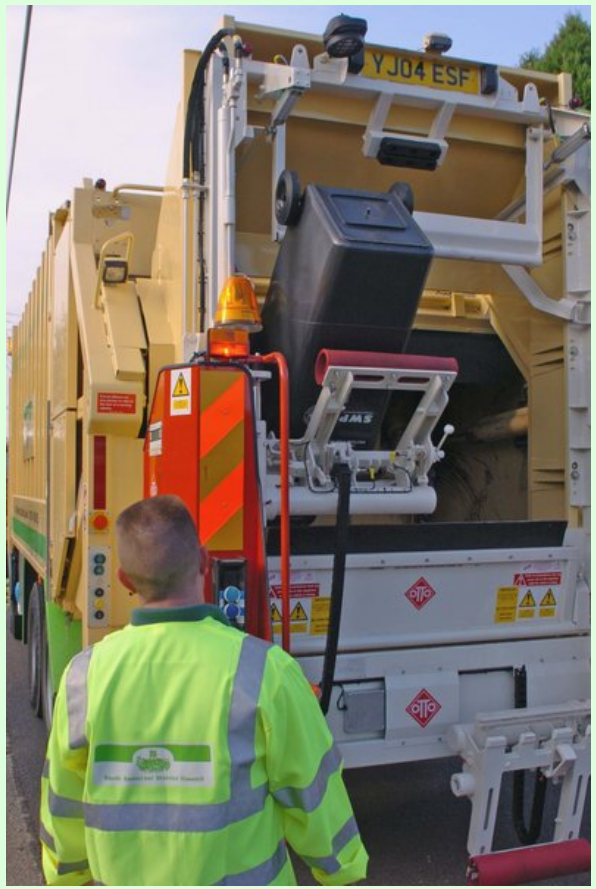
In 2009/10 South Somerset District Council incurred the following fees relating to external audit and inspection:

Previous Year 2008/09 £'000		Current Year 2009/10 £'000
106	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	107
17	Fees payable to the Audit Commission in respect of statutory inspection	8
22	Fees payable to the Audit Commission for the certification of grant claims and returns	39
1	Fees payable in respect of other services provided by the appointed auditor	3
146	**Total Audit Costs**	**157**

9. LONG TERM CONTRACTS

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

Contractor	Services Provided	Date of Expiry of Contract	Payments 2009/10 £'000	Ongoing Commitment £'000
Somerset Waste Partnership	Refuse Collection and Support Services	October 2014	3,534	17,470



10. NOTE OF RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

Restated Previous Year 2008/09			Current Year 2009/10	
£'000	£'000		£'000	£'000
		Amounts Included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
(3,163)		Depreciation, amortisation and impairment of fixed assets	(2,691)	
219		Government Grants Deferred amortisation matching depreciation and impairments	339	
12		Gain/(Loss) on Disposal of Fixed Assets	(394)	
260		Share of Right to Buy Receipts from former Council Dwellings	374	
2,135		Easements and other Capital Receipts	3,429	
(2,724)		Revenue Expenditure funded from Capital under Statute	(3,022)	
137		Differences between amounts credited to the Income & Expenditure Account and amounts receivable under statutory provisions relating to soft loans	(19)	
(63)		Differences between amounts credited to the Income & Expenditure Account and amounts receivable under statutory provisions relating to Council Tax Adjustment	(48)	
(5,013)		Net charges made for retirement benefits in accordance with FRS 17	(5,376)	
	(8,200)	**Amounts not included in the Income & Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year**		**(7,408)**
36		Minimum Revenue Provision for Capital Finance	36	
0		Capital Expenditure financed from the General Fund	0	
(11)		Transfer from Capital Receipts Reserve to meet payments to the Housing Capital Receipts Pool	(14)	
2,356		Employer's contributions payable to the Somerset County Council Pension Fund and retirement benefits payable direct to pensioners	2,897	
	2,381	**Transfers to or from the General Fund that are required to be taken into account when determining the Movement on the General Fund Balance for the year**		**2,919**
	440	Net transfers to earmarked reserves		(763)
	5,379	**Amount by which the surplus on the General Fund for the year was greater than the Income and Expenditure Account result for the Year**		**5,252**

11. MOVEMENT OF INTANGIBLE FIXED ASSETS

The only intangible fixed assets that South Somerset District Council have on their balance sheet is software.

	Software £'000
Cost	
As at 1 April 2009	179
Additions	29
Disposals	(33)
As at 31 March 2010	**175**
Accumulated Amortisation	
As at 1 April 2009	(99)
Amortisation for year	(44)
Amortisation on disposals	33
As at 31 March 2010	**(110)**
Net book value as at 31 March 2010	**65**
Net book value as at 1 April 2009	**80**

(Brackets represent reductions in value)

Assets are amortised on a straight line basis and are assigned useful lives of between 3 and 5 years for the purposes of determining amortisation.

New Toilets opened on St Peters Street in Yeovil

12. MOVEMENT OF TANGIBLE FIXED ASSETS – OPERATIONAL

	Land & Buildings £'000	Vehicles Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Total £'000
Cost or Valuation					
As at 1 April 2009	39,173	3,230	40	1,056	43,499
Additions	917	690	225	0	1,832
Disposals	(84)	0	0	0	(84)
Re-Classified	1	0	383	(383)	1
Revaluations	840	(201)	0	0	639
Impairments	(605)	(26)	0	0	(631)
As at 31 March 2010	**40,242**	**3,693**	**648**	**673**	**45,256**
Accumulated Depreciation					
As at 1 April 2009	(1,447)	(793)	(4)	0	(2,244)
Depreciation for year	(705)	(543)	(7)	0	(1,255)
Depreciation on disposals	6	0	0	0	6
Depreciation written out on revaluations	564	244	0	0	808
As at 31 March 2010	**(1,582)**	**(1,092)**	**(11)**	**0**	**(2,685)**
Net book value as at 31 March 2010	**38,660**	**2,601**	**637**	**673**	**42,571**
Net book value as at 1 April 2009	**37,726**	**2,437**	**36**	**1,056**	**41,255**
Nature of Asset Holding					
Owned	38,660	2,557	637	673	42,527
Finance Lease	0	44	0	0	44
	38,660	**2,601**	**637**	**673**	**42,571**

(Brackets represent reductions in value)

13. MOVEMENT OF TANGIBLE FIXED ASSETS – NON OPERATIONAL

	Investment Properties £'000	Assets under Construction £'000	Surplus Assets held for Disposal £'000	Total £'000
Cost or Valuation				
As at 1 April 2009	8,929	22	755	9,706
Additions	57	85	0	142
Disposals	(70)	0	(465)	(535)
Re-Classified	20	(1)	(20)	(1)
Revaluations	62	0	5	67
Impairments	(843)	0	0	(843)
As at 31 March 2010	**8,155**	**106**	**275**	**8,536**
Accumulated Depreciation				
As at 1 April 2009	0	0	0	0
Depreciation on disposals	0	0	0	0
Depreciation written out on revaluations	0	0	0	0
As at 31 March 2010	**0**	**0**	**0**	**0**
Net book value as at 31 March 2010	**8,155**	**106**	**275**	**8,536**
Net book value as at 1 April 2009	**8,929**	**22**	**755**	**9,706**
Nature of Asset Holding				
Owned	8,155	106	275	8,536
Finance Lease	0	0	0	0
	8,155	**106**	**275**	**8,536**

(Brackets represent reductions in value)

14. TANGIBLE FIXED ASSETS - MISCELLANEOUS

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

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

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

	Previous Year 2008/09 £'000	Current Year 2009/10 £'000
Operational Land and Buildings	2,020	2,030
Vehicles, Plant and Equipment	132	138
Community Assets	46	46
Total	**2,198**	**2,214**

15. FIXED ASSET VALUATION

All fixed assets owned by South Somerset District Council have been valued on a five year rolling programme by an external independent valuer – Charles Cox, FRICS, District Valuer – on the under mentioned bases in accordance with the Statements of Asset Valuation Practice and Guidance Notes of The Royal Institute of Chartered Surveyors. Not all assets are inspected each year, as this is neither practicable nor considered by the valuer to be necessary for the purposes of the valuation. The basis of valuation is as set out in the Statement of Accounting Policies.

The following table shows the progress of the rolling programme.

	Land & Buildings £'000	Vehicles Plant & Equipment £'000	Investment Properties £'000	Surplus Assets £'000	Total £'000
Valued at historical cost	1,294	2,414	56	0	3,764
Valued at current value at:					
1 April 2005	9,341	41	0	0	9,382
1 April 2006	2,976	318	0	0	3,294
1 April 2007	923	236	0	0	1,159
1 April 2008	15,462	325	0	0	15,787
1 April 2009	10,246	359	8,099	275	18,979
Total	**40,242**	**3,693**	**8,155**	**275**	**52,365**

16. INFORMATION ON ASSETS HELD

Fixed assets held by the Council are listed in the following table.

Previous Year 2008/09 No. Owned		Current Year 2009/10 No. Owned
	Operational Buildings	
12	Council Offices	12
5	Depots/ Stores	5
1	Swimming Pools	1
1	Theatres	1
1	Museums	1
17	Other Buildings	16
58	Car Parks	57
19	Public Conveniences	18
2	Gypsy Sites	3
1	Crematorium	1
	Operational Equipment	
14	Vehicles	26
47	Other items	49
	Infrastructure Assets	
5	Flood Prevention Works	5
26	Other items	28
	Community Assets	
113 Hectares	Parks and Open Space	113 Hectares
271 Hectares	Nature Reserves	271 Hectares
1	Historic Buildings	1
	Non-operational Property	
33	Commercial and other property lettings	32
12	Surplus property	2

17. CAPITAL COMMITMENTS

The following table discloses the significant capital contracts that SSDC has entered into as at the 31 March 2010

.

Contract	Period Covered	Value outstanding £'000
Ilton Gypsy Site Infrastructure	March 2010 to September 2010	190
Ilton Gypsy site Park Homes	April 2010 to September 2010	550
Milford Hall Community Hub	March 2010 to October 2010	585
Birchfield Sewer Pollution Easement Works	March 2010 to May 2010	120
		1,445

18. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Previous Year 2008/09 £'000		Current Year 2009/10 £'000
4,017	Revenue Expenditure funded from Capital under Statute charged to Service Revenue Accounts	4,252
(1,293)	Less external contributions received	(1,230)
2,724	**Net amount**	**3,022**

19. CAPITAL EXPENDITURE AND FINANCING

Previous Year 2008/09 £'000			Current Year 2009/10 £'000	
		Opening Capital Financing Requirement		
	9,113	As reported in 2008/09		9,113
	116	Adjustment relating to previous years (see note below)		80
	9,229	As adjusted		9,193
		Capital Expenditure		
18		Intangible Fixed Assets	29	
2,096		Operational Fixed Assets	1,833	
1,846		Non-Operational Fixed Assets	142	
4,017		Revenue Expenditure funded from Capital under Statute	4,252	
34		Loans Provided	10	
5,000		Corporate Bonds Acquired	0	
	13,011			6,266
		Sources of Finance		
(10,509)		Use of Capital Receipts	(4,342)	
(2,502)		Government Grants & Other Contributions	(1,924)	
(36)		Minimum Revenue Provision	(36)	
	(13,047)			(6,302)
	9,193	**Closing Capital Financing Requirement**		**9,157**

Note : In 2008/09 two commercial vehicle leases were reclassified as finance leases; this increased the Capital Financing Requirement by £116,000 but the notes in the 2008/09 accounts were not adjusted.

20. LONG AND SHORT TERM INVESTMENTS

The investments as at 31 March 2010 consist of:

Previous Year 2008/09 £'000		Current Year 2009/10 £'000
	Long Term Investments	
14,079	Euro Sterling and World Bonds > 1 year to maturity	15,097
2,000	Callable Deposits	0
2,000	Term Deposits > I year to maturity	0
3	Government Stocks	2
18,082		**15,099**
	Short Term Investments	
4,423	Business Reserve Accounts	2,960
14,000	Term Deposits - Banking Sector	19,000
3,149	Euro Sterling and World Bonds < 1 year to maturity	2,090
21,572		**24,050**
39,654	**Total Investments**	**39,149**

21. LONG TERM DEBTORS

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

Restated Previous Year 2008/09 £'000		Current Year 2009/10 £'000
482	Loans agreed under SSDC loans policy	406
139	Mortgages (net of Bad Debt Provision)	95
92	Car Loans	111
713	**Total Long Term Debtors**	**612**

Further information relating to long term debtors is contained within Note 43 on Financial Instruments.

22. ANALYSIS OF DEBTORS

Restated Previous Year 2008/09 £'000		Current Year 2009/10 £'000
3,280	Sundry Debtors	3,686
296	Amounts due on the Collection Fund	854
265	Yarlington Homes	379
1,656	Government Departments	2,791
174	Loans due within 1 year	179
206	Payments in advance	184
5,877		8,073
(1,176)	Less Provision for Bad Debts	(1,322)
4,701	**Total Debtors**	**6,751**

Where appropriate a provision for doubtful debts (shown above in brackets) is made to cover the credit risk associated with debtors. An explanation of credit risk is contained within Note 43 on Financial Instruments.

23. ANALYSIS OF CREDITORS

Restated Previous Year 2008/09 £'000		Current Year 2009/10 £'000
2,236	Sundry Creditors	2,995
1,725	Government Departments	423
39	Collection Fund Creditors	23
118	Collection Fund receipts in advance	123
2,802	Other receipts in advance	3,101
6,920	**Total Creditors**	**6,665**

24. ANALYSIS OF BORROWING

Previous Year 2008/09 £'000		Current Year 2009/10 £'000
	Analysis of loans by type	
0	Public Works Loan Board	0
	Analysis of loans by maturity	
0	**Over 15 years**	**0**

Further information relating to borrowing is contained within Note 43 on Financial Instruments.

25. ANALYSIS OF PROVISIONS

These monies have been set aside to cover the following potential liabilities as at 31 March 2010:

Previous Year 2008/09 £'000		Additional provisions in 2009/10 £'000	Applied provisions in 2009/10 £'000	Current Year 2009/10 £'000
(15)	Invoice in dispute	(5)	0	(20)
(15)	**Total Provisions**	**(5)**	**0**	**(20)**

Negotiations are continuing with the land owner over the invoice in dispute and the matter is likely to be settled in 2010/11.

(Brackets on this page represent a reduction in the balances held)

26. DEVELOPERS CONTRIBUTION DEFERRED

Previous Year 2008/09 £'000		Current Year 2009/10 £'000
(481)	Balance as at 1 April	(275)
(94)	Additional Deposits	(156)
300	Applied Deposits	83
(275)	**Total Developers Contribution Deferred**	**(348)**

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

27. GOVERNMENT GRANTS DEFERRED

Previous Year 2008/09 £'000		Current Year 2009/10 £'000
6,446	Balance as at 1 April	7,436
1,209	External contributions received towards fixed assets	694
(219)	Amortisation released to the Income and Expenditure Account	(339)
7,436	**Total Government Grants Deferred**	**7,791**

(Brackets represent the gradual release of income to the Income and Expenditure Account)

Notes to the Core Financial Statements continued

28. REVALUATION RESERVE

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

Previous Year 2008/09 £'000		Current Year 2009/10 £'000
2,608	Revaluation Reserve at 1 April	7,103
4,846	Revaluation gains on fixed assets	1,515
(351)	Downward revaluation on fixed assets	(83)
0	Disposals of fixed assets	(415)
0	Current value depreciation transferred to Capital Adjustment Account	(174)
7,103	**Total Revaluation Reserve**	**7,946**

29. AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS RESERVE

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

Previous Year 2008/09 £'000		Current Year 2009/10 £'000
177	Balance as at 1 April	1,100
0	Loss on derecognition/maturity	(85)
923	Revaluation of Assets at 31 March 2010	(123)
1,100	**Total Available-for-Sale Financial Instruments Reserve**	**892**

30. CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account records the resources set aside to finance capital expenditure. It also records charges for the consumption of historic cost over the life of the asset and Revenue Expenditure funded from Capital under Statute over the period that the authority benefits from the expenditure.

Note : In 2008/09 two commercial vehicle leases were reclassified as finance leases; this increased the Capital Financing Requirement at 1st April 2008 by £116,000 but this was not reflected in the 2008/09 accounts.

The leases were erroneously treated as having been financed from usable capital receipts in the 2008/09 accounts with the result that the transfer to the Capital Adjustment Account for 2008/09 was overstated by £116,000. In addition to this the consequent Minimum Revenue Provision of £36,000 was omitted from the 2008/09 accounts so that the net overstatement of the Capital Adjustment Account at 31st March 2009 amounted to £80,000.

The accounts have now been adjusted and comparative figures have been restated accordingly.

Previous Year 2008/09 £'000			Current Year 2009/10 £'000	
	28,286	Balance at 1 April As reported in 2008/09		32,970
	0	Adjustment relating to previous years (see note opposite)		(80)
	28,286	As adjusted		**32,890**
10,393		Capital Expenditure financed from Capital Receipts	4,341	
0		Current value depreciation transferred from Revaluation Reserve	174	
36		Minimum Revenue Provision	36	
219		Release of government grants deferred	339	
	10,648			**4,890**
		Less:		
(2,724)		Write down of Revenue Expenditure funded from Capital under Statute	(3,022)	
(93)		Carrying amount of assets disposed	(199)	
(934)		Depreciation	(1,300)	
(2,229)		Impairment	(1,391)	
(64)		Repayment of capital loans	(66)	
	(6,044)			(5,978)
	32,890	**Total Capital Adjustment Account**		**31,802**

Notes to the Core Financial Statements continued

(Brackets on this page represent a reduction in the balances held)

31. FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

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

Restated Previous Year 2008/09 £'000		Current Year 2009/10 £'000
(16)	Balance at at 1 April	120
(6)	Soft Loans advanced revalued to Net Present Value	(14)
9	Interest on Soft Loans credited to Income & Expenditure Account	10
133	Discount on early repayment of loan	(15)
120	**Total Financial Instruments Adjustment Account**	**101**

32. DEFERRED CREDITS

Previous Year 2008/09 £'000		Current Year 2009/10 £'000
256	Balance at 1 April	222
(34)	Repaid in Year	(60)
222	**Total Deferred Credits**	**162**

33. CAPITAL RECEIPTS RESERVE

Previous Year 2008/09 £'000		Current Year 2009/10 Housing Transfer £'000	Current Year 2009/10 Other £'000	Current Year 2009/10 Total £'000
	Balance of Useable Receipts at 1 April			
41,951	As reported in 2008/09	13,057	20,973	34,030
0	Adjustment relating to previous years (see note opposite)	0	116	116
41,951		**13,057**	**21,089**	**34,146**
2,599	Receipts from Sale of Assets	0	4,148	4,148
(10,393)	Receipts applied to finance Capital Expenditure	0	(4,341)	(4,341)
(11)	Amount payable to the housing capital receipt pool	0	(14)	(14)
34,146	**Total Capital Receipts Reserve**	**13,057**	**20,882**	**33,939**

Note : In 2008/09 two commercial vehicle leases were reclassified as finance leases; these were erroneously treated as having been financed from usable capital receipts in the 2008/09 accounts with the result that the Capital Receipts Reserve was understated by £116,000 at 31st March 2009. The accounts have now been adjusted and comparative figures have been restated accordingly.

Notes to the Core Financial Statements continued

(Brackets on this page represent a reduction in the balances held)

34. PENSIONS RESERVE

Previous Year 2008/09 £'000		Current Year 2009/10 £'000
(26,013)	Restated Deficit brought forward at 1 April	(36,343)
(2,657)	Contribution from General Fund	(2,479)
(7,673)	Actuarial Gain/(Loss)	(26,904)
(36,343)	**Total Pensions Reserve Deficit**	**(65,726)**

35. EARMARKED RESERVES

	Balance as at 1 April 2009 £'000	Receipts in 2009/10 £'000	Payments in 2009/10 £'000	Balance as at 31 March 2010 £'000
Capital Fund	1,451	57	0	1,508
Crematorium Reserve	1,028	0	(1,028)	0
Cremator Replacement Reserve	0	300	0	300
Burial CAMEO Reserve	0	196	0	196
Elections Reserve	54	44	0	98
Community Projects Reserve	42	2	(10)	34
Historic Buildings Grants Fund	35	0	(29)	6
Risk Management Reserve	12	0	0	12
Athletics Track Sinking Fund	103	18	0	121
CCTV Renewal Reserve	6	0	(4)	2
Local Plan Inquiry Reserve	56	16	0	72
CFIRS Reserve	6	0	(1)	5
Town Centre Management	35	0	0	35
Planning Delivery Reserve	256	340	(159)	437
Save to Earn Reserve	50	0	0	50
Bristol to Weymouth Rail Reserve	34	0	(12)	22
LABGI Reserve	193	50	(80)	163
Yeovil Vision Reserve	17	0	(11)	6
Voluntary Redundancy/Retirement Fund	462	727	(1,182)	7
Insurance Fund	31	5	(2)	34
Treasury Management Reserve	500	0	0	500
Total Reserves	**4,371**	**1,755**	**(2,518)**	**3,608**

36. SELF-INSURANCE

The Council has set aside an earmarked reserve for self insurance in respect of theft and all risk policies. In addition to this there is a "stop loss" policy to cover the Council for uninsured claims of a higher level. The balance that remains on the Insurance Fund is £34,000. In 2009/10, payments of £2,109 were made.

37. CONTINGENT LIABILITIES

There is a potential environmental risk in the Birchfield Park area as part of the land is an old landfill site. Work has been completed to install a barrier between homes and the site in 2009. A specific working group manages this risk within existing revenue and capital budgets.

The Council had claims to the value of £167,323 insured by Municipal Mutual Insurance Limited. The company went into liquidation on 30th September 1992. The Council have had all of their foregoing claims paid since then. However, should the run-off of the company's business ultimately lead to liabilities exceeding the available assets, the Council could be liable to repay up to £117,323 in respect of a clawback agreement under the Scheme of Arrangement. According to the latest audited accounts at 30th June 2009 the company had total assets of £159 million (at 30th June 2008, £162 million) and net liabilities of £37 million (at 30th June 2008, £17 million). The Directors of the company remain of the opinion that a solvent run-off will be achieved and therefore that no clawback will be required.

In transferring employees to the Somerset Waste Partnership (SWP) South Somerset agreed a guarantee of last resort to the Somerset County Council Pension Fund for those employees transferred to May Gurney CIC. The actuarial valuation at the time assessed the maximum liability at £748,000. However it is highly unlikely that this will ever be required as the SWP has the right over vehicles and depots and the staff would transfer back to the authority

'Jack the Treacle Eater' - Barwick Park Estate

38. POST BALANCE SHEET EVENTS

The council was in legal dispute regarding the car parking income at a site in Yeovil. The dispute went to mediation on 1st April 2010 as the estimated costs for continuing with the case were assessed at £2 million. After negotiations a settlement of £550,000 was reached in exchange for the removal of the shared income car park agreement and return to the authority the costs outlaid so far. South Somerset District Council are no longer liable to clean the car parks, clear litter or manage the flower and shrubbery bedding. The accounts have been adjusted to reflect this post balance sheet event.

In the recent budget, the coalition government announced that in future, the pension increase order applied to public service pension schemes' pensions in payment will be linked to the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). The accounts have not been adjusted to reflect this post balance sheet event. Instead the financial effect on the Net Pension Liability has been estimated.

Net Pension Liability as at 31 March 2010	**RPI £'000**	**CPI £'000**	**Difference £'000**
Present value of Funded Obligation	121,512	115,883	5,629
Fair Value of Assets in Scheme	(58,634)	(58,634)	0
Net Liability	**62,878**	**57,249**	**5,629**
Present Value of Unfunded Obligation	2,848	2,727	121
Net Liability in Balance Sheet	**65,726**	**59,976**	**5,750**

These financial statements were authorised for issue by the Audit Committee on 24th June 2010.

39. DORCAS HOUSE TRUST

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

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

Previous Year 2008/09 £'000		Current Year 2009/10 £'000
(15)	Total Income for the Year	(24)
12	Revaluation of Investments	(14)
43	Total Expenditure for the Year	21
40	**Deficit / (Surplus) for the Year**	**(17)**

(Brackets represent income)

Dorcas House Trust holds the following reserves:

Previous Year 2008/09 £'000		Current Year 2009/10 £'000
2	Endowment Fund	1
5	Cyclical Repairs Fund	24
9	Extraordinary Repairs Fund	9
16	**Total Reserves**	**34**

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

40. LEASE AND HIRE PURCHASE CONTRACTS

Rental payments for Leased Assets

Rentals of £318,490 were paid on operating leases (2008/09 £477,174) and £39,503 on finance leases (2008/09 £39,503).

2008/09 £'000			2009/10 £'000	
Finance Leases	**Operating Leases**	**Asset type**	**Finance Leases**	**Operating Leases**
40	412	Vehicles, Plant & Equipment	40	259
0	65	Land & Buildings	0	59
40	**477**	**Total**	**40**	**318**

The Council were committed at 31 March 2010, to making payments of £39,503 under finance leases in 2010/11, comprising of the following elements:

Leases expiring in	Vehicles, Plant & Equipment £'000	Other Land & Buildings £'000	Total Finance Lease Commitment £'000
2010/11	31	0	31
2011/12 to 2014/15	9	0	9
2015/16 onwards	0	0	0
Total	**40**	**0**	**40**

The gross value of assets held under finance leases was £116,413 (subject to £35,984 depreciation to 31 March 2010 and accumulated depreciation of £71,968). Interest paid in 2009/10 in respect of the finance lease was £1,952.

The Council were committed at 31 March 2010, to making payments of £235,224 under operating leases in 2010/11, comprising of the following elements:

Leases expiring in	Vehicles, Plant & Equipment £'000	Other Land & Buildings £'000	Total Operating Lease Commitment £'000
2010/11	40	8	48
2011/12 to 2014/15	138	0	138
2015/16 onwards	0	49	49
Total	**178**	**57**	**235**

Authority as Lessor

The Council has granted leases in respect of a number of properties (principally commercial premises and business units) which are treated as operating leases. Rental income in respect of these properties for 2009/10 totalled £334,825 (2008/09 £182,040).

The gross value of assets held for use in operating leases was £7,297,414 (subject to £57,592 depreciation to 31 March 2010 and accumulated depreciation of £131,346).

41. COLLECTION FUND ADJUSTMENT ACCOUNT

Restated Previous Year 2008/09 £'000		Current Year 2009/10 £'000
91	Balance as at 1 April	28
(63)	Collection Fund Adjustment in year	(48)
28	**Total Collection Fund Adjustment Account**	**(20)**

Waterfall at Yeovil Country Park

42. RELATED PARTY TRANSACTIONS

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

Precepts from Other Local Authorities are detailed on page 62 in Note 1 to the Collection Fund and receipts from Central Government are detailed on page 35 in Note 7 to the Core Financial Statements.

Transactions to and from the Pension Fund are detailed on pages 57 to 59 in Note 44 to the Core Financial Statements.

The Council is part of a Joint Venture called Lufton 2000, with Abbey Manor Developments Ltd, to purchase and develop 30 acres of industrial land at Lufton; in 2009/10 nothing was paid out towards the development of land for phase III of the project. The draft unaudited accounts of the joint venture for the year ended 31 March 2010 disclose net assets of £590,000 and a net profit of £12,000. The shares are jointly held with SSDC and Abbey Manor Developments Ltd each holding a 50% interest. A copy of these accounts may be obtained from the Council by telephoning 01935 462462.

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

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

Organisation	SSDC Contribution in 2009/10	SSDC Councillor
Citizens Advice Bureau	£113,500 in funding support.	Cllr H Hobhouse
Wincanton Community Sports Centre	£99,262 in funding support.	Cllr T Inglefield Cllr T Carroll (Observer)
South Somerset Association for Voluntary and Community Action	£71,599 in funding support.	Cllrs A Smith, Cllr R Pallister (Observers)
Parrett Drainage Board	£51,750 as a special levy.	Cllr R Mills Cllr P Palmer Cllr M Lewis
Community Council for Somerset	£16,177 in funding support.	Cllr L Boucher
Crewkerne Aqua Centre	£600,000 loan advanced in previous years. Balance at 31st March 2010 is £390,000. £15,432 in grants.	Cllr G Clarke
Wincanton Community Venture (Balsam Centre)	£34,250 loan advanced in previous years. Balance at 31st March 2010 is £29,674. £10,565 Service Specification.	Cllr T Carroll
Crowshute House Management Committee, Chard	£10,688 in grant.	Cllr R Roderigo
Somerset Racial Equality Council	£10,000 as a service level agreement.	Cllr D Greene
Chard and District Museum Society	£8,550 in grant.	Cllr L Vijeh
Chard Young Peoples Centre	£6,571 in grant.	Cllr J Kenton
CRESTA, Chard	£4,503 in grant.	Cllr N Mermagen

Notes to the Core Financial Statements continued

43. FINANCIAL INSTRUMENTS

The authority's accounting policies relating to financial instruments are in accordance with the 2009 SORP, in order to comply with FRS 25, FRS 26 and FRS 29.

Financial Instruments Balances

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

Restated Previous Year 2008/09			Current Year 2009/10	
Long Term £'000	Current £'000		Long Term £'000	Current £'000
4,714	18,597	Loans & Receivables	612	22,139
14,082	3,149	Available-for-sale financial assets	15,099	2,090
0	979	Trade Debtors	0	938
0	1,128	Bank	0	10
18,796	**23,853**	**Total Financial Assets**	**15,711**	**25,177**
0	(1,616)	Trade Creditors	0	(1,400)
(44)	(36)	Finance Lease	(8)	(36)
0	0	Bank Overdraft	0	(925)
(44)	**(1,652)**	**Total Financial Liabilities at amortised cost**	**(8)**	**(2,361)**

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

	Trade Debtors £'000	Impairment £'000	Trade Debtors Not Impaired £'000
Less than 3 months	687	0	687
3 – 6 months	134	(4)	130
6 months – 1 year	46	(35)	11
More than 1 year	71	(66)	5
Total	**938**	**(105)**	**833**

SSDC repaid the loan of £2,000,000 to PWLB early and as a result received a discount of £148,000 which is to be amortised over 10 years. There was also interest paid of £2,000 in 2009/10 (£3,000 in 2008/09) on the newly classified finance leases.

Financial Instruments Gains/Losses

The gains and losses recognised in the Income & Expenditure Account and Statement of Total Recognised Gains and Losses in relation to financial instruments are made up as follows:

Current Year 2009/10	Financial Liabilities	Financial Assets		Total
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Available-for-sale assets £'000	£'000
Interest expense	7	0	0	
Losses on derecognition	0	0	0	
Interest payable and similar charges	**7**	**0**	**0**	**7**
Interest income	0	(1,411)	(815)	
Gains on derecognition	0	0	0	
Interest and investment income	**0**	**(1,411)**	**(815)**	**(2,225)**
Gains on revaluation			0	
Losses on revaluation			159	
Surplus arising on revaluation of financial assets			**159**	
Total Net (gain)/loss for the year	**7**	**(1,411)**	**(656)**	

Notes to the Core Financial Statements continued

Financial Instruments Gains/Losses

For the purpose of comparison, the gains and losses recognised in the Income & Expenditure Account and Statement of Total Recognised Gains and Losses in relation to financial instruments for 2008/09 are made up as follows:

	Financial Liabilities	Financial Assets		Total
Comparatives 2008/09	**Liabilities measured at amortised cost £'000**	**Loans and receivables £'000**	**Available -for-sale assets £'000**	**£'000**
Interest expense	(66)	0	0	
Losses on derecognition	0	0	0	
Interest payable and similar charges	**(66)**	**0**	**0**	**(66)**
Interest income	0	(2,415)	(656)	
Gains on derecognition	0	0	0	
Interest and investment income	**0**	**(2,415)**	**(656)**	**(3,071)**
Gains on revaluation			(923)	
Losses on revaluation			0	
Surplus arising on revaluation of financial assets			**(923)**	
Total Net (gain)/loss for the year	**(66)**	**(2,415)**	**(1,579)**	

Fair Value of Assets and Liabilities carried at amortised cost

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

Carrying Amount 2008/09 £'000	Fair Value 2008/09 £'000		Carrying Amount 2009/10 £'000	Fair Value 2009/10 £'000
23,310	23,310	Loans and receivables	22,750	22,750
0	0	Financial Liabilities	0	0

Nature and Extent of Risks arising from Financial Instruments

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

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

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

Notes to the Core Financial Statements continued

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

Credit Risk

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

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

The following table shows that two institutions fell below our minimum credit rating requirements as at the 31st March 2009. These institutions however met the criteria at the time the transaction took place. All investments made with those counterparties have now matured and the capital sum returned. Those counterparties were also removed from the Council's lending list immediately once downgraded.

Castle Cary Market House

Balance invested at 31 March 2009 £000	Bank and Financial Institution	Credit Rating Score as at 31 March 2010	Balance invested at 31 March 2010 £000	Approved Limits at 31 March 2010 £000
17,228	**Total Eurobonds**	AAA	**17,187**	
3	**Total Gilts**	AAA	**2**	
2,000	Royal Bank of Scotland	AA-	0	4,000
4,000	Santander UK PLC	AA-	5,960	6,000
2,000	Nationwide Building Society	AA-	3,000	6,000
3,863	Bank of Scotland PLC	AA-	6,000	6,000
5,000	Barclays Bank PLC	AA-	5,000	6,000
16,863	**Total UK Banks**		**19,960**	
1,000	Depfa Bank	A-	0	0
1,000	Allied Irish Bank	A	0	0
2,000	**Total Irish Banks**		**0**	
0	**National Australia Bank**	AA	**0**	**0**
2,000	Standard Life	AAA	0	2,000
1,560	Invesco AIM	AAA	0	2,000
0	Prime Rate	AAA	2,000	2,000
3,560	**Total Money Market Funds**		**2,000**	
39,654	**Total**		**39,149**	

No counterparty institutional or group limits were exceeded during the reporting period and the authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

Where the authority considers there is a significant risk of default in mortgages, car loans, bike loans, loans for learning or miscellaneous loans then an appropriate provision for bad debts are calculated.

Exposure to default and non-collection

Over the past five years there has been no historical experience of default on deposits with banks and financial institutions or bonds. Therefore our estimated maximum exposure to default and non collection as at 31 March 2010 for these investments is nil. (Nil for 2008/09). Customers are assessed taking into account their financial position, past experience and other factors.

Risk is currently being minimised through the Council by only placing deposits with UK institutions which are covered by the UK Government 2008 Credit Guarantee Scheme.

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

Estimated maximum exposure at 31 March 2009 £'000		Amount invested at 31 March 2010 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2010 %	Estimated maximum exposure to default and non collection at 31 March 2010 £'000
0	Deposits with Banks & Financial Institutions	21,960	0	0	**0**
0	Bonds/Gilts	17,189	0	0	**0**
1,146	Customers	3,556	37.8	37.8	**1,344**
1,146	**Total maximum exposure to default and non collection**	**42,705**			**1,344**

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

Rating as at 31 March 2010	Bank or Financial Institution	Maturity of Investment				Total
		1 – 3 months	3 – 6 months	6 – 12 months	Over 12 months	
		£'000	£'000	£'000	£'000	£'000
	UK Banks					
AA-	Santander UK PLC	960		5,000		**5,960**
AA-	Nationwide Building Society		2,000	1,000		**3,000**
AA-	Bank of Scotland PLC			6,000		**6,000**
AA-	Barclays Bank PLC	2,000		3,000		**5,000**
	Total UK Banks	2,960	2,000	15,000	0	**19,960**
	Money Market Funds					
AAA	Prime Rate	2,000				**2,000**
	Total Money Market Funds	2,000	0	0	0	**2,000**
	Total Outstanding Investments	**4,960**	**2,000**	**15,000**	**0**	**21,960**

Liquidity Risk

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

Market risk – Interest rate risk

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

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

Borrowings at fixed rates - the fair value of the liabilities borrowings will fall

Investments at variable rates - the interest income credited to the Income and Expenditure Account will rise

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

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

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

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

According to this assessment strategy, at 31 March 2010, if interest rates had been 1% higher with all other variables held constant, there would have been an increase in interest receivable on variable rate investments of approximately £245,000. The impact of a 1% fall in rates would be to reduce interest receivable on variable rate investments by approximately £245,000.

Market risk – Price risk

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

Market risk – Foreign exchange risk

The authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

44. RETIREMENT BENEFITS

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

South Somerset District Council participates in the Local Government Pension Scheme for civilian employees, administered by Somerset County Council – this is a funded defined benefit scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Transactions Relating to Retirement Benefits

SSDC recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge SSDC is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance.

The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

Previous Year 2008/09			Current Year 2009/10	
£'000	£'000		£'000	£'000
		Income and Expenditure Account		
		Net Cost of Services:		
2,824		• Current service costs	2,100	
377		• Past service and curtailment costs	727	
	3,201			2,827
		Net Operating Expenditure:		
5,704		• Interest Cost	5,345	
(3,892)		• Expected return on assets in the scheme	(2,796)	
	1,812			2,549
	5,013	**Net Charge to the Income and Expenditure Account**		**5,376**
		Statement of Movement in the General Fund Balance		
	(5,013)	*Reversal of net charges made for retirement benefits in accordance with FRS 17*		(5,376)
		Actual amount charged against the General Fund Balance for pensions in the year:		
2,125		• Employers' contributions payable to scheme	2,660	
231		• Retirement benefits payable to pensioners	237	
	2,356			**2,897**

(Brackets represent liabilities on this page)

Notes to the Core Financial Statements continued

In addition to the recognised gains and losses shown in the Income and Expenditure Account, actuarial losses of £26,904,000 were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actual gains and losses recognised in the Statement of Total Recognised Gains and Losses is £30,568,000

Assets and Liabilities in Relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2010 are as follows:

Reconciliation of Present Value of the scheme liabilities

Previous Year 2008/09		Current Year 2009/10
£'000		£'000
86,276	1 April	80,492
2,824	Current service cost	2,100
5,704	Interest cost	5,345
906	Contributions by scheme participants	900
(12,160)	Actuarial gains and losses	39,250
(3,204)	Benefits paid	(4,217)
267	Past service costs	0
110	Curtailment costs	727
(231)	Unfunded Pension Payments	(237)
80,492	**31 March 2010**	**124,360**

Reconciliation of Fair Value of Scheme Assets

Previous Year 2008/09		Current Year 2009/10
£'000		£'000
60,263	1 April	44,149
3,892	Expected return on Scheme assets	2,796
(19,833)	Actuarial gains and losses	12,346
2,356	Contribution by the employer	2,897
906	Contributions by scheme participants	900
(3,435)	Benefits paid	(4,454)
0	Settlements	0
44,149	**31 March 2010**	**58,634**

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

Previous Year 2008/09		Current Year 2009/10
£'000		£'000
78,026	Present value of Funded Obligation	121,512
(44,149)	Fair Value of Assets in Scheme	(58,634)
33,877	**Net Liability**	**62,878**
2,466	Present Value of Unfunded Obligation	2,848
36,343	**31 March 2010**	**65,726**

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

The actual return on scheme assets in the year was (£15,143,000). (2008/09: £15,941,000)

Scheme History

	2005/06	2006/07 as restated	2007/08 as restated	2008/09	2009/10
	£'000	£'000	£'000	£'000	£'000
Present value of liabilities in scheme	(88,680)	(89,970)	(86,276)	(80,492)	(124,360)
Fair value of assets in scheme	59,786	67,170	60,263	44,149	58,634
Surplus/(deficit) in the scheme	**(28,894)**	**(22,800)**	**(26,013)**	**(36,343)**	**(65,726)**

(Brackets represent liabilities on this page)

Notes to the Core Financial Statements continued

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total liability of £65,726,000 has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in an overall balance of £15,747,000. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2011 is £2,203,000.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The County Council Fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary have been:

31 March 2009		31 March 2010
3.0%	Rate of inflation	3.9%
4.5%	Rate of general long-term increase in salaries	5.4%
3.0%	Rate of increase to pensions in payment	3.9%
3.0%	Rate of increase to deferred pensions	3.9%
6.7%	Discount rate	5.5%

Assumed life expectations from aged 65 (years) are:

	Males	Females
Current pensioners	19.76	22.46
Future pensioners (20 years from now)	20.42	23.10

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

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

Long-term Return as at 31 March 2009		Long-term Return as at 31 March 2010
7.3%	Equity investments	7.8%
4.0%	Government Bonds	4.5%
6.5%	Corporate Bonds	5.5%
6.4%	Property	6.9%
3.0%	Other	3.0%

The fair value of the total scheme assets comprises the following categories, by proportion of the total assets held:

% of total scheme as at 31 March 2009		% of total scheme as at 31 March 2010
66	Equity investments	72
10	Government Bonds	7
12	Corporate Bonds	11
8	Property	8
4	Other	2
100		**100**

History of experience gains and losses

The actuarial gains identified as movements on the Pension Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010.

	2005/06	2006/07 as restated	2007/08 as restated	2008/09	2009/10
	%	%	%	%	%
Difference between expected and actual return on assets	14.1	5.4	17.8	44.9	21.1
Experience gains and losses on liabilities	0	0	6.4	0	0

(brackets on this page represent income or liabilities)

45. RECONCILIATION OF NET DEFICIT TO NET CASH OUTFLOW ON REVENUE ACTIVITIES

	Previous Year 2008/09			Current Year 2009/10
£'000	£'000		£'000	£'000
		Surplus/(Deficit) for the year		
	(5,431)	Deficit on Income & Expenditure Account		(4,325)
		Non Cash Transactions		
3,163		Depreciation and Impairment	2,691	
(219)		Amortisation of Government Grants	(339)	
2,724		Revenue Expenditure funded from Capital under Statute	3,022	
		Written Off		
(12)		Loss/(Gain) on Disposal of Fixed Assets	394	
2,657		FRS 17 Pension Transactions	2,479	
(36)		Minimum revenue provision for cost of capital	(36)	
63		Collection Fund Adjustment Account	48	
(137)		Soft loan and discount amortisation	19	
(3,308)		Other Non Cash Transactions	(1,305)	
	4,895			**6,973**
		Items on an Accruals Basis		
(23)		(Increase)/Decrease in Stocks & Work-in-Progress	13	
1,722		(Increase)/Decrease in Debtors	(2,093)	
1,835		Increase/(Decrease) in Creditors	(211)	
(1,346)		Less: Capital Items included in Debtors & Creditors	(254)	
	2,188			**(2,545)**
		Items classified elsewhere in Cash Flow Statement		
	(3,128)	Servicing of Finance – Net Interest Received		(2,430)
	(260)	Share of Right to Buy Receipts from former Council Dwellings		(374)
	(2,135)	Easements and other Capital Receipts		(3,428)
	(3,871)	**Net Cash Outflow from Revenue Activities**		**(6,129)**

(brackets on this page represent income or liabilities)

46. MOVEMENT IN CASH RECONCILED TO THE MOVEMENT IN NET DEBT

Previous Year 2008/09 £'000		Current Year 2009/10 £'000
	NET INVESTMENT	
1,128	Cash in Hand	10
0	Bank Overdraft	(925)
1,128	**Net Cash Balance**	**(915)**
21,572	Short Term Investments	24,050
18,082	Long Term Investments	15,063
0	Long Term Borrowing	0
40,782	**Net Investment at 31 March**	**38,198**
(39,250)	Less Net Investment at 1 April	(40,781)
1,532	**Increase/(Decrease) in Net Investment**	**(2,583)**
	COMPRISING	
1,128	Net Cash Balance at 31 March	(915)
(486)	Net Cash Balance at 1 April	1,128
1,614	**Net Movement in Cash**	**(2,043)**
2,000	Net Inflow from Financing (Note 47)	0
(12,090)	Net Inflow from Liquid Resources (Note 48)	388
8,902	Purchase of Long Term Investments	3,125
0	Sale of Long Term Investments	(4,001)
1,106	Change in Valuation of Long Term Investments (Non Cash Transactions)	(52)
1,532	**Movement in Net Investment**	**(2,583)**

47. RECONCILIATION OF FINANCING ITEMS

The movement in Long Term Borrowing is summarised as follows.

Previous Year 2008/09 £'000		Current Year 2009/10 £'000
2,000	Balance at 1 April	0
0	Balance at 31 March	0
2,000	**Net Decrease in Long Term Borrowing**	**0**

48. RECONCILIATION OF LIQUID RESOURCES

The Council includes Short Term Investments (which can be redeemed within the following financial year) within its Liquid Resources.

Previous Year 2008/09 £'000		Current Year 2009/10 £'000
(24,513)	Balance at 1 April	(21,572)
(9,149)	Reclassified from Long Term Investments	(2,090)
21,572	Balance at 31 March	24,050
(12,090)	**Net Decrease in Short Term Investments**	**388**

49. ANALYSIS OF GOVERNMENT GRANTS

Previous Year 2008/09 £'000		Current Year 2009/10 £'000
387	Local Authority Business Growth Initiative Grant	50
47	Area Based Grant	65
0	Housing & Planning Delivery Grant	340
4,395	Miscellaneous Grants	1,334
4,829	Total Other Government Grants	1,789
36,707	Housing Benefits	47,362
1,326	Revenue Support Grant	2,060
41,862	**Government Grants**	**51,211**

Collection Fund Account

INCOME AND EXPENDITURE ACCOUNT for year ended 31 March 2010

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

Previous Year 2008/2009 £'000		Note	Current Year 2009/2010 £'000
	INCOME		
(75,964)	**Income from Council Tax**	1	(78,049)
	Transfers from General Fund		
(8,641)	- Council Tax Benefits		(9,785)
(34,325)	**Income Collectable from Business Ratepayers**	2	(35,352)
(118,930)	**TOTAL INCOME**		**(123,186)**
	EXPENDITURE		
	Precepts and Demands	1	
59,552	- Somerset County Council		61,435
9,191	- Avon & Somerset Police Authority		9,644
3,966	- Devon & Somerset Fire & Rescue Authority		4,137
11,738	- South Somerset District Council (including Parishes)		12,295
	Distribution of previous year's Collection Fund surplus	3	
362	- Somerset County Council		296
55	- Avon & Somerset Policy Authority		46
24	- Devon & Somerset Fire & Rescue Authority		20
70	- South Somerset District Council		58
	Business Rates		
34,099	- Payment to National Pool		35,123
226	- Costs of Collection		228
	Council Tax		
(45)	- Provision for Council Tax Non-Collection		174
150	- Bad debts written off		75
119,388	**TOTAL EXPENDITURE**		**123,531**
458	**(SURPLUS)/DEFICIT FOR YEAR** to be deducted from balances		345
(661)	**Balances at Start of Year**		(203)
(203)	**Balances at End of Year**		**142**

Notes to The Collection Fund

(Brackets represent income or liabilities)

INTRODUCTION

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

1. INCOME FROM COUNCIL TAX

Council Tax income is calculated by estimating the amount of income or precept required from the Collection Fund for Somerset County Council, Avon & Somerset Police Authority, Devon & Somerset Fire & Rescue Authority and South Somerset District Council.

The estimate is made by calculating a tax base and dividing the precepts by the tax base to establish the tax payable for a Band D property (properties in other bands pay a proportion of the Band D charge).

The first step in calculating the tax base is to adjust the total number of properties in each band to the effective number of properties by reducing the number to allow for the number of discounts and exemptions. The effective number of dwellings is then converted to the number of Band D equivalents by applying the weighting for each band. The following table illustrates how the tax base has increased from 2008/09.

Notes to The Collection Fund Continued

Tax Base						
Previous Year 2008/09					**Current Year 2009/10**	
Effective No of dwellings	Band D Equivalent	Weighting	Tax Band	Property Value (at April 1991)	Effective No of dwellings	Band D Equivalent
26	14	5/9ths	A-	disabled band	21	11
7,834	5,223	6/9ths	A	up to £40,000	7,952	5,302
18,500	14,389	7/9ths	B	between £40,001 & £52,000	18,620	14,483
13,357	11,873	8/9ths	C	between £52,001 & £68,000	13,452	11,957
10,240	10,240	1	D	between £68,001 & £88,000	10,160	10,160
8,009	9,789	11/9ths	E	between £88,001 & £120,000	8,026	9,810
4,103	5,926	13/9ths	F	between £120,001 & £160,000	4,120	5,952
1,559	2,598	15/9ths	G	between £160,001 & £320,000	1,571	2,618
129	259	18/9ths	H	Over £320,000	132	263
63,757	60,311				**64,054**	60,556
	(753)			Less adjustment for non-collection and banding reductions		(754)
	59,558			**Council Tax Base**		**59,802**

Details of the precepts are shown below

Previous Year 2008/09	Precepting Authorities	Current Year 2009/10
£59,552,169	Somerset County Council	£61,434,583
£9,190,975	Avon & Somerset Police Authority	£9,643,929
£3,965,529	Devon & Somerset Fire & Rescue Authority	£4,137,191
£8,483,360	District Council's own requirement	£8,837,541
£3,254,124	Total of Parish Precepts & Levies	£3,457,445

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

Previous Year 2008/09 £	Council Tax levy at Band D	Current Year 2009/10 £
999.90	Somerset County Council	1027.30
154.32	Avon & Somerset Police Authority	161.26
66.58	Devon & Somerset Fire & Rescue	69.18
142.44	South Somerset District Council	147.78
1,363.24		1,405.52
54.39	Add Town & Parish Councils (average)	57.59
1,417.63	**Average Council Tax Levy at Band D**	**1,463.11**

2. INCOME COLLECTABLE FROM BUSINESS RATE PAYERS

The Council collects the Business Rates on behalf of the Government. HM Revenue & Customs assesses the Rateable Values and the Government sets the rate in the £ (or multiplier). Comparative details are shown below:

Previous Year 2008/09		Current Year 2009/10
	National Non-Domestic Rates (NNDR)	
£85,975,852	Rateable value at 31st March	£87,041,848
	NNDR rate poundage	
46.2p	• National Multiplier	48.5p
45.8p	• Small Business multiplier	48.1p

3. CONTRIBUTION TOWARDS PREVIOUS YEAR'S SURPLUS

An estimate is made each January of the surplus or deficit on the collection fund in order for the County, Police Authority, Fire & Rescue Authority and the District Council to take into account when setting their precept for the following year.

Group Accounts

Group accounts are where the Council consolidates into its results the activities of outside organisations it has or can exert significant influence over and these consolidated results are shown separately within the Statements on the Group accounts pages 65 to 71. The purpose of consolidation is to allow the reader of the accounts to see a complete picture of the Council's control over any other entities it may have.

For 2009/10 the joint venture Lufton 2000 has been identified as an outside organisation that should be consolidated into the Council's accounts.

The joint venture was set up between SSDC and Abbey Manor Developments Limited in 1999 with the purpose of purchasing and developing land at Lufton, Yeovil. For the 2009/10 Statement of Accounts the joint venture has been accounted for using the gross equity method. SSDC and Abbey Manor Developments Limited each hold a 50% interest in Lufton 2000 and equally share profits or losses.

The Group accounts incorporate the following items into the accounts of the single entity:

- The Group Income and Expenditure Account includes the Council's share of the operating result and interest and investment income of the joint venture.
- The Group Balance Sheet includes the Council's share of the assets, liabilities and reserves of the joint venture.

The figures that have been incorporated are from the draft accounts as at 31 March 2010 and these figures are still subject to audit. A full copy of the accounts of Lufton 2000 may be obtained from Abbey Manor Developments Limited.

Where, as a result of the consolidation, the supporting notes have changed, details are shown. However where there have been no changes to the notes from the single entity accounts they have not been repeated again below.

Chard Lace Mill

Group Income and Expenditure Account (brackets represent income)

Restated Previous Year 2008/09 £'000	Service	Expenditure 2009/10 £'000	Income 2009/10 £'000	Net Cost of Services 2009/10 £'000
2,394	Central Services	12,081	(10,012)	2,069
16,546	Cultural Environmental and Planning Services	26,767	(8,609)	18,158
1,392	Highways and Transport	3,963	(3,022)	41
4,388	Housing Services	41,352	(38,388)	2,964
2,834	Corporate and Democratic Core	2,541	(70)	2,471
615	Non Distributed Costs	964	(11)	953
28,169	**Net Cost of General Fund Services**	**87,668**	**(60,112)**	**27,556**
(5)	Share of the Operating Result of Joint Venture	6	(12)	(6)
28,164	**Net Cost of Services**	**87,674**	**(60,124)**	**27,550**
(12)	Loss on Disposal of Fixed Assets			394
3,255	Precepts and Levies			3,471
758	Trading Surpluses and Deficits account			121
(66)	Interest Payable(Receivable) and Similar Charges			7
11	Contribution of Housing Capital Receipts to Government Pool			14
(3,071)	Interest & Investment Income			(2,225)
(5)	Share of Interest & Investment Income of Joint Venture			(1)
(260)	Share of Right to Buy Receipts from former Council Dwellings			(374)
(2,135)	Easements			(3,429)
1,812	Pensions interest costs and expected return on pensions assets			2,549
28,451	**Net Operating Expenditure**			**28,077**
	Income from Taxation and General Government Grants			
(11,745)	Demand on Collection Fund			(12,319)
(1,760)	Central Government Grants			(2,516)
(9,525)	Non-domestic rate redistribution			(8,924)
5,421	**Deficit for the year**			**4,318**

Reconciliation of the Single Entity Income and Expenditure Account Deficit to the Group Income and Expenditure Account Deficit

Restated Previous Year 2008/09 £'000		Current Year 2009/10 £'000
5,431	Deficit for the year on the Authority Income and Expenditure Account for the year	4,325
	Surplus in the Group Income and Expenditure Account attributable to group entities:	
(10)	Joint Ventures	(7)
5,421	**Deficit for the year on the Group Income and Expenditure Account**	**4,318**

Museum of South Somerset

Group Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the Group for the year and shows the aggregate increase in its net worth. In addition to the deficit on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and available-for-sale financial assets and re-measurement of the net liability to cover the cost of retirement benefits.

Previous Year 2008/09 £'000		Current Year 2009/10 £'000
5,421	Deficit for the year on the Income and Expenditure Account	4,318
(4,495)	Surplus arising on revaluation of fixed assets	(1,431)
(923)	Surplus arising on revaluation of available-for-sale financial assets	208
7,673	Actuarial (gains)/losses on pension assets and liabilities	26,904
7,676	**Total recognised (gains)/losses for the year**	**29,999**

Flagship Playspace

Group Balance Sheet

(Brackets represent liabilities)

Restated As at 31 March 2009 £'000	Restated As at 31 March 2009 £'000		Note	As at 31 March 2010 £'000	As at 31 March 2010 £'000
		FIXED ASSETS			
	80	**Intangible Fixed Assets**			65
		Tangible Fixed Assets			
		Operational Assets			
	37,726	Land & Buildings			38,660
	2,437	Vehicles Plant & Equipment			2,601
	36	Infrastructure Assets			637
	1,056	Community Assets			673
		Non-Operational Assets			
	8,929	Investment Properties			8,155
	22	Assets under Construction			106
	755	Surplus Assets held for Disposal			275
	51,041	**TOTAL FIXED ASSETS**			51,172
	291	Share in Gross Assets of Joint Venture	1		296
	(2)	Share in Gross Liabilities of Joint Venture	2		(1)
	18,082	Long Term Investments			15,099
	713	Long Term Debtors			612
	0	Deferred Premiums			0
	70,125	**TOTAL LONG TERM ASSETS**			**67,178**
		CURRENT ASSETS			
147		Stocks & Work-in-Progress		134	
4,701		Debtors		6,751	
21,572		Investments		24,050	
1,128		Cash and bank		10	
	27.548				30,945
	97,673	**TOTAL ASSETS**			**98,123**
		LESS: CURRENT LIABILITIES			
(6,920)		Creditors		(6,665)	
0		Bank Overdraft		(925)	
	(6,920)				**(7,590)**
	90,753	**TOTAL ASSETS LESS CURRENT LIABILITIES**			**90,533**

Restated As at 31 March 2009 £'000		Note	As at 31 March 2010 £'000
90,753	**TOTAL ASSETS LESS CURRENT LIABILITIES** (b/f)		**90,533**
0	Long Term Borrowing		0
(80)	Deferred Liabilities Finance Lease		(44)
	Provisions		
(15)	Developers Contributions Deferred		(20)
(275)	Government Grants-Deferred		(348)
(7,436)	Liability related to defined benefit pension scheme		(7,791)
(36,343)			(65,726)
46,604	**TOTAL NET ASSETS**		**16,604**
	Financed by:		
7,103	Revaluation Reserve		7,946
1,100	Available-for-Sale Financial Instruments Reserve		892
32,890	Capital Adjustment Account		31,802
120	Financial Instruments Adjustment Account		101
222	Deferred Credits		162
34,146	Capital Receipts Reserve		33,939
(36,343)	Pensions Reserve		(65,726)
4,371	Earmarked Reserves		3,608
289	Joint Venture Reserve	3	295
2,678	General Fund Balances		3,605
28	Collection Fund Adjustment Account		(20)
46,604	**TOTAL NET WORTH**		**16,604**

Group Cash Flow Statement

(Brackets on this page represent income)

Restated 2008/09 £'000	Restated 2008/09 £'000		2009/10 £'000	2009/10 £'000
		REVENUE ACTIVITIES		
		Cash outflows		
19,292		Cash paid to and on behalf of employees	19,328	
19,917		Other operating cash payments	20,141	
30,392		Housing Benefit paid out	36,235	
0		National Non Domestic Rate payments to National Pool	0	
3,254		Precepts paid	3,457	
11	72,866	Payments to the Capital Receipts Pool	14	79,175
		Cash inflows		
(813)		Rents (after rebates)	(835)	
(10,549)		Council Tax receipts	(10,649)	
0		National Non Domestic Rate receipts	0	
(9,525)		National Non Domestic Rate receipts from national pool	(8,924)	
(1,326)		Revenue Support Grant	(2,060)	
(36,707)		DWP grants for benefits	(47,362)	
(4,829)		Other government grants	(1,789)	
(10,633)		Cash received for goods & services	(11,170)	
(2,355)	(76,737)	Other operating cash receipts	(2,515)	(85,304)
	(3,871)	**Net cash outflow from Revenue Activities** (Note 6)		**(6,129)**
		RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
		Cash outflows		
(69)		Interest Paid	5	
3		Interest Element of Finance Lease	2	
		Cash inflows		
(3,062)		Interest Received	(2,437)	
	(3,128)	**Net cash inflow from servicing of finance**		**(2,430)**
	(6,999)	Sub Total carried forward		**(8,559)**

Restated 2008/09 £'000	Restated 2008/09 £'000		2009/10 £'000	2009/10 £'000
	(6,999)	Sub Total brought forward		**(8,559)**
		CAPITAL ACTIVITIES		
		Cash outflows		
3,810		Purchase of fixed assets	912	
8,902		Purchase of long term investments	3,125	
4,052		Other capital cash payments	3,266	
16,764			7,303	
		Cash inflows		
(642)		Sale of fixed assets	(57)	
(3,323)		Capital Grants received	(642)	
0		Sale of long term investments	(3,861)	
(2,544)		Other capital cash receipts	(3,524)	
(6,509)			(8,084)	
	10,255	**Net cash outflow from capital activities**		**(781)**
		PAYMENTS TO JOINT VENTURE		
		Cash outflows		
	0	Capital cash payment		0
	3,256	**NET CASH OUTFLOW BEFORE FINANCING**		**(9,340)**
		MANAGEMENT OF LIQUID RESOURCES		
	(12,090)	Net increase/ (decrease) in short term investments		388
	5,140	Other Liquid Resources		10,960
		FINANCING		
		Cash outflows		
2,000		Loans Repaid	0	
80	2,080	Capital element of finance lease	36	36
	(1,614)	**NET (INCREASE)/DECREASE IN CASH**		**2,044**

Notes to the Group Accounts

1. ANALYSIS OF SHARE OF GROSS ASSETS OF JOINT VENTURE

Previous Year 2008/09 £'000		Current Year 2009/10 £'000
141	Stocks & Work in Progress	147
1	Sundry Debtors	0
149	Cash & Bank	149
291	**Total Share of Gross Assets in Joint Venture**	**296**

2. ANALYSIS OF SHARE OF GROSS LIABILITIES OF JOINT VENTURE

Previous Year 2008/09 £'000		Current Year 2009/10 £'000
2	Sundry Creditors	1
2	**Total Share of Gross Liabilities in Joint Venture**	**1**

3. ANALYSIS OF JOINT VENTURE RESERVE

Previous Year 2008/09 £'000		Current Year 2009/10 £'000
289	**SSDC Capital Account**	**295**

(Brackets represent a disposals of assets and expenditure on existing assets not yet revalued)

4. PAYMENTS TO JOINT VENTURE

In 2009/10 no capital payments were made to the joint venture for phase III of the development (2008/09 £nil). There were no receipts from the joint venture in 2009/10 (2008/09 £nil).

5. RECONCILIATION OF GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Previous Year 2008/09 £'000		Current Year 2009/10 £'000
(7,676)	Total Recognised Gains/(Losses) for the Year	(30,035)
0	Additional Capital advanced to Joint Venture	0
(7,676)	Increase/(Decrease) in Net Assets	(30,035)
54,280	Net Assets at 1 April	46,604
46,604	**Net Assets at 31 March**	**16,569**

Kelways Office at Langport

(brackets on this page represent income or liabilities)

6. RECONCILIATION OF NET DEFICIT TO NET CASH OUTFLOW ON REVENUE ACTIVITIES

Restated Previous Year 2008/09			Current Year 2009/10	
£'000	£'000		£'000	£'000
		Surplus/(Deficit) for the year		
	(5,421)	Deficit on Income & Expenditure Account		(4,318)
		Non Cash Transactions		
3,163		Depreciation and Impairment	2,691	
(219)		Amortisation of Government Grants	(339)	
2,724		Revenue Expenditure funded Capital under Statute Written Off	3,022	
(12)		Loss on Disposal of Fixed Assets	394	
2,657		FRS 17 Pension Transactions	2,479	
(36)		Minimum Revenue Provision for cost of capital	(36)	
63		Collection Fund Adjustment Account	48	
(137)		Soft Loan and discount amortisation	19	
(10)		Share of Surplus of Joint Venture	(7)	
(3,308)		Other Non Cash Transactions	(1,305)	
	4,885			**6,966**
		Items on an Accruals Basis		
(23)		(Increase)/Decrease in Stocks & Work-in-Progress	13	
1,722		(Increase)/Decrease in Debtors	(2,093)	
1,835		Increase/(Decrease) in Creditors	(211)	
(1,346)		Less: Capital Items included in Debtors & Creditors	(254)	
	2,188			**(2,545)**
		Items classified elsewhere in Cash Flow Statement		
	(3,128)	Servicing of Finance – Net Interest Received		(2,430)
	(260)	Share of Right to Buy Receipts from former Council Dwellings		(374)
	(2,135)	Easements		(3,428)
	(3,871)	**Net Cash Outflow from Revenue Activities**		**(6,129)**

INDEPENDENT AUDITOR'S REPORT TO SOUTH SOMERSET DISTRICT COUNCIL

Opinion on the accounting statements

I have audited the Authority and Group accounting statements and related notes of South Somerset District Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the Collection Fund] and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of South Somerset District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

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

The Assistant Director's (Finance and Corporate) responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Authority and Group accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of:

• the financial position of the Authority and its income and expenditure for the year; and

• the financial position of the Group and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the Authority and Group accounting statements, and consider whether it is consistent with the audited Authority and Group accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority and Group accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority and Group accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

INDEPENDENT AUDITOR'S REPORT TO SOUTH SOMERSET DISTRICT COUNCIL (CONTINUED)

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Authority and Group accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Authority and Group accounting statements and related notes.

Opinion

In my opinion:

• The Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended; and

• The Group accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Group as at 31 March 2010 and its income and expenditure for the year then ended.

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

Authority's Responsibilities

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

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009 and the supporting guidance, I am satisfied that, in all significant respects, South Somerset District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Certificate

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

Brian Bethell

Officer of the Audit Commission

Audit Commission

Westward House

Lime Kiln Close

Stoke Gifford

Bristol

BS34 8SR

Date : 23 September 2010

Annual Governance Statement

PART 1 – SCOPE OF RESPONSIBILITY

SSDC is responsible for ensuring that:

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

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

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

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

PART 2 – THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

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

The governance framework has been in place at SSDC for the year ended 31 March 2010 and up to the date of approval of the annual report and statement of accounts.

PART 3 – THE GOVERNANCE ENVIRONMENT

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

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

- The Corporate Plan sets out the priority areas for South Somerset District Council and links these priorities to the National Indicators, Local Area Agreement targets, and Sustainable Community Strategy targets.
- The Sustainable Community Strategy has been produced through the LSP (South Somerset Together) in consultation with our partners and sets out the long-term goals for the community and the key issues that need to be addressed in the future.
- Service Plans are updated annually and cover the period of the Corporate Plan. These are linked to the Corporate Plan and identify the performance measures and targets that will be used to ensure the services achieve the agreed objectives.
- Guidance has been produced to facilitate partnership working and the Partnership Register was updated in March 2010 to reflect the key, significant, and minor partnerships that South Somerset District Council has.

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

- The three statutory officers (Head of Paid Service, Monitoring Officer and s151 Officer) regularly meet as a Corporate Governance Group.
- Regular weekly meetings between the Leader and Chief Executive in order to maintain a shared understanding of roles and objectives.
- An arrangement with East Devon District Council has been entered into to share a Chief Executive through a Section 113 agreement outlining the detail of function and role.
- Protocols developed and enforced to ensure effective communication between members and officers in their respective roles.
- Portfolio Holders produce annual Portfolio Holder Statements outlining achievements for the previous year and targets for the following year.
- There is a clear scheme of delegation for officers and members within the Constitution.

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

- The financial management of the Council is conducted in accordance with the rules set out in Part 4 of the Constitution.
- The Council maintains an Internal Audit Service through the South West Audit Partnership (SWAP) that operates to standards specified by the Institute of Internal Auditors (IIA) and the Chartered Institute of Public Finance Accountants (CIPFA).
- A self-assessment questionnaire has been completed on ethical governance and the results will be used to assist the Standards Committee to identify and concentrate on those areas that require further development, improvement or support.
- Communication through Sounding Board lunches (this will be replaced by staff awareness sessions in 2010), ListenUp, Insite, and Team Brief.

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

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

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

- The Council looks to develop skills on a continuing basis to improve performance both of officers and members through the Staff Development and Review process and the use of training and development plans.
- Succession planning encourages participation and development for members and officers.

- Comprehensive member training and development programme recognised through attainment of the "Charter for Member Development."

- An induction programme is in place for all new staff.

- Clear job descriptions and personal specifications are in place for all roles.

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

- Area Committees ensure further local accountability and local access.

- Budget consultation has been carried out with the public and key stakeholders.

- Stakeholder input into the Sustainable Community Strategy and Corporate Plan.

- Area forums and finance set up to allocate financing for local needs.

- Area action plans are in place to deliver local priorities.

- A summarised Statement of Accounts is sent to every household explaining the key financial areas to the public.

PART 4 – REVIEW OF EFFECTIVENESS

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

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

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

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

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

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

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

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

- The Council's Financial Procedure Rules are kept under continuous review and revised periodically – the last review was approved in July 2009.

- In January 2008 the Council participated in a voluntary reassessment of the Comprehensive Performance Assessment and increased its assessment to "Good".

- Each Manager, Assistant Director, and Director is required to review their adherence to the governance framework and demonstrate compliance through

- Reviewing and signing a Statement of Internal Operational Control. Each return is assessed by the Group Auditor and S151 Officer for compliance and any apparent organisational improvements are included in the Governance Action Plan.

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

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

PART 5 – SIGNIFICANT GOVERNANCE ISSUES

A number of actions are planned to strengthen the control framework and will be monitored by the Audit Committee during 2010/11:

- A robust framework will be embedded for the monitoring and collection of S106 contributions;

- Ensure awareness and compliance with Government Connect through all staff completing learning pool modules;

- Provide further training for staff on the Use of Information Technology Policy to ensure all staff are aware and comply with the policy;

- Introduce training and awareness refreshers for the Corporate Performance Team on Risk, Local Code of Corporate Governance, and best practice in Service Planning;

- To use the results of the Ethical Governance Survey to identify and concentrate on those areas requiring further development, improvement or support.

- Produce a Fraud and Data Strategy to link all anti-fraud work and improve officer awareness of anti-fraud and whistle blowing policies.

- The Authority is satisfied that these steps will address the issues highlighted in 2009/10 and further improve governance arrangements at SSDC.

Signed on behalf of SSDC:

Date: 24th June 2010

Donna Parham
Assistant Director – Finance and Corporate Services

Mark Williams
Chief Executive

Cllr Tim Carroll
Leader

Glossary of Terms

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

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

Accruals

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

Agency Work

is the provision of services by an authority on behalf of, and reimbursed by, the responsible authority/body.

Amortised Cost

is a mechanism that sees through the contractual terms of a financial instrument to measure the real cost or return to the authority by using the effective interest rate method which incorporates the impact of premiums or discounts.

Apportionments

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

Appropriation

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

Asset

is something that South Somerset owns that has a monetary value. Assets are either 'current' or 'fixed'.

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

Audit of Accounts

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

Available-for-Sale Assets

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

Available-for-Sale Financial Instruments Reserve

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

Balances

are the accumulated surplus of revenue income over expenditure.

Balance Sheet

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

Best Value

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

Budget

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

Capital Adjustment Account

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

Capital Charges

represent the cost to services for the use of fixed assets in the provision of their services; the charges reflect depreciation and impairment.

Capital Contributions/Grants

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

Capital Expenditure (Outlay)

is on the acquisition of a fixed asset that will be used to provide services beyond the current accounting period or expenditure that adds value to an existing fixed asset.

Capital Discharged

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

Capital Financing Charges

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

Capital Programme

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

Capital Receipts

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

Carry Forwards

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

Cash Flow Statement

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

Cash Limited Budgets

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

Central Government Grants

comprise three types:

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

- Specific service grants –grants in aid of services in which central government have a more direct involvement.

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

CIPFA

is the Chartered Institute of Public Finance and Accountancy.

Collection Funds

are separate funds recording the expenditure and income relating to council tax, non-domestic rates and residual community charge.

Community Assets

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

Consistency

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

Corporate and Democratic Core

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

Creditors

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

Debtors

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

Depreciation

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

Derecognition

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

Earmarked Revenue Reserves

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

Easement

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

Effective Interest Rate

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

Emoluments

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

Employment Costs

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

Fair Value (Financial Instruments)

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

Fair Value (Tangible Assets)

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

Family Group

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

Fees and Charges

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

Finance Leases

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

Financial Instruments

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

Financial Instruments Adjustment Account

is the account which holds the differences between the amounts credited to the Income and Expenditure Account in accordance with the SORP and the interest income required to be credited to the General Fund in accordance with statutory regulations relating to soft loans.

Financing Transactions

relate, in the main, to interest payments and receipts associated with the management during the year of the Council's cash flow and reserves.

Fixed Asset

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

FRS

is a Financial Reporting Standard advising the accounting treatment and disclosure requirements of transactions so that an authority's accounts 'present fairly' the financial position of the authority.

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.

Government Grants

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

Government Grants Deferred Account

identifies the outstanding value of capital grants and contributions received towards the financing of capital expenditure but which have not yet been written off to the Income and Expenditure Account.

Housing Benefits

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

Impairment

is the reduction in the value of a fixed asset as shown in the balance sheet to reflect its true value.

Infrastructure

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

Income

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

Income and Expenditure Account

is the organisation's main revenue account. It records the income received from Council Tax and Business Rate payments, grants and other fees and charges. It also records the expenditure made as services are provided.

Liability

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

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

Liquid Resources

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

Loans and Receivables

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

Local Authority Business Growth Initiative (LABGI) Scheme Grant

is a grant awarded to the Council by the Government. The purpose of this grant was to provide support towards expenditure lawfully incurred or to be incurred by the Council. There is therefore no restriction on its use.

Long-term Investments

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

Materiality

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

Minimum Revenue Provision

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

National Non-Domestic Rate (NNDR) Income (also known as Business Rates)

Business Rates are collected locally, pooled nationally and then redistributed to all local authorities on a population basis.

NILO

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

Net Book Value

is the Balance Sheet amount of fixed assets and represents their historical cost or current replacement value less cumulative depreciation provisions.

Net Current Replacement Cost

is the cost of replacing an asset in its existing condition and use.

Net Realisable Value

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

Non-operational Assets

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

Operational Assets

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

Operating Leases

are all leases which are not finance leases.

Other Operating Costs

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

Precept

is the means by which Somerset County Council, the police and fire authorities and the parishes obtain their revenue income from the District Councils' Collection Funds.

Provisions

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

PWLB

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

Prudence

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

Rateable Value

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

Related Parties

are when at any time during the financial period:-

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

Related Party Transaction

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

Remuneration

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

Reserves

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

Residual Value

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

Revaluation Reserve

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

Revenue Expenditure

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

Revenue Expenditure Funded Capital under Statute

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

Revenue Support Grant

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

Slippage

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

Soft Loans

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

SORP

is a Statement of Recommended Practice 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 SORP states which accounts should be published as part of the Statement of Accounts, and the information to be included in each account.

SSAP

is a Statement of Standard Accounting Practice issued by the Accounting Standards Committee (ASC) and adopted by its replacement body, the Accounting Standards Board (ASB) of the Consultative Committee of Accountancy Bodies (CCAB). The council's accounts conform to SSAPs where they are applicable to local authorities.

Statement of Movement on General Fund Balance (SMGFB)

summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

Statement of Total Recognised Gains and Losses (STRGL)

brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth.

Stocks

are items of raw material and stores that SSDC has bought to use on a continuing basis but has not yet used. Examples are consumable stores, raw materials and components purchased for incorporation into products for sale.

Tangible Fixed Assets

comprise operational assets, non-operational assets and assets in the course of construction.

Unallocated Reserves

are those remaining revenue balances, after deducting the earmarked revenue reserves, which have not been set aside to meet particular spending needs.

Unapportionable Central Overheads

are those overheads for which no service department benefits and are not therefore apportioned.

Work in Progress

is the value of works that have been completed or partially completed at the end of the accounting period that should be included in the financial statements.

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