

2009/2010

STATEMENT OF ACCOUNTS

(including External Audit Opinion)

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Explanatory Foreword

The Statement of Accounts, set out in the following pages, describes the Council's financial affairs for the year ended 31 March 2010. The format of the accounts follows best practice as defined in the Code of Practice on Local Authority Accounting and various other statutory codes. By definition the accounts are technical and this reflects the prescriptive nature of local authority accounting. The notes to the accounts are intended to assist in understanding.

If any further information or explanation is required, please contact the Council's Financial Management Section (01275 884368).

Changes in Accounting Practice

The accounts include one significant change in accounting practice, required by the Statement of Recommended Practice (SORP) 2009 as detailed below.

- **Accounting for Council Tax and NNDR** – in the core financial statements the aim of the new SORP requirements is to reflect the Council's role as an agent for the major Council Tax preceptors (Fire and Police Authorities) and for the Government with regard to NNDR. The 2008/09 accounts have been restated in accordance with the SORP 2009 requirements. The most significant change in Council Tax is that where previously debtors and creditors were shown in full in the Council's core financial statements they are now apportioned between the Council and the Council Tax major preceptors, with the preceptors' share being included in their own financial statements and the total included in the Council's core financial statements as a debtor or creditor. The effect for NNDR is to remove the debtors and creditors in the Balance Sheet and to replace them with a single Government debtor or creditor.

The principal statements included in these Accounts are:

Income and Expenditure Account (page 40)

This reports the cost of providing the major Council services and shows how these services were paid for by income from service users, the government and local Council Tax payers. This statement is consistent with the month 12 general fund monitoring report presented to the Executive on 8th June 2010 which is summarised below:

	£000
General Fund Approved Budget for the year	140,302
Position as at 31 March 2010	141,396
Over Spend on General Fund Services as at 31 March 2010	1,094
Windfall Savings from VAT Claims	(650)
Windfall Savings from NNDR Refund	(144)
NSC Allocation of Business Growth Incentive Grant (LABGI)	(195)
Contribution required from General Fund Non-Earmarked Reserves	105

The Council required a contribution of £0.105m from its reserves in 2009/10, due to a net in-year overspend on its operational budget.

It should be noted that behind these summary figures, the Council continues to face a number of specific risks and variances across the directorates, notably within children looked after budgets, arising from a substantial increase in the number of children looked after, and demand within Adult Care – care in the community budgets. In addition, 2009/10 saw a significant negative impact upon income streams relating to economic activity and interest rates, and in particular, changes in the housing market. These variances were mitigated by a series of planned actions to limit the net overspend to just £0.105m, or 0.1%.

Explanatory Foreword

The table below details all of the movements on the General Fund balance, also shown is a summary of the level of non-earmarked revenue reserves as at the 31st March 2010.

2009/10	£000	£000
Opening Balance as at 1/4/2009		9,991
Budgeted Use of Balances in 2009/10		
To finance one-off costs e.g. CYPs Staffing Capacity, Waste Contract re-let Costs, Foster Recruitment Campaign		(328)
Additional Use of Balances in 2009/10		
To finance projected overspend on 2009/10 Revenue Budget	(105)	
To finance one-off Youth Grants & Support Services Project team	(249)	(354)
Internal Contributions (to)/from Non-Earmarked Balances in 2009/10		
Repayment of Invest-to-Save	92	
Contribution from earmarked reserves	200	
Contribution to Earmarked Pump Priming Reserve for Invest-to-Save Schemes	(500)	
Contribution to Earmarked Economic Downturn Reserve	(525)	
Contribution to Earmarked Service Transition Reserve	(1,136)	(1,869)
Level of Non-Earmarked Balances for Revenue Support as at 31/3/2010		7,440

From the above it can be seen that the level of the Council's non-earmarked reserves as at 31st March 2010 is £7.440m.

Members will recall that as part of the budget setting process, the Local Government Act 2003 requires me as statutory s.151 Officer to report to council on the robustness of the budget and the adequacy of reserves. As part of this requirement, my advice was that the Council should ensure its level of General Fund non-earmarked revenue reserves (excluding schools) are at an optimum level of £7m, to take account of the current economic climate and the effects this may have upon a number of council services. This assessment took account of the contingency held within the Council's revenue budget.

As a result, the Council has determined that certain one off costs that will assist the council in generating efficiencies and improved services can be funded from reserves in the next financial year. The table below shows those planned commitments, as well as the anticipated income, which will allow the council to remain above its optimum level of £7m of general reserves.

2010/11	£000	£000
Opening Balance as at 1/4/2010		7,440
Use of Balances in 2010/11		
To finance Invest-to-Save projects	(1,503)	
To finance one-off Waste Contract re-let Costs	(149)	
To finance one-off – Support services Project Team	(165)	(1,817)
Contributions into Non-Earmarked Balances in 2010/11		
Collection Fund Surplus		1,420
Internal Contributions (to)/from Non-Earmarked Balances in 2010/11		
Repayment of LAA Pump Prime costs		330
Projected Total Non-Earmarked Balances for Revenue Support as at 31/3/2011		7,373

Explanatory Foreword

The overall movement on the General Fund Balance as displayed in the above table is highlighted in one of the core financial statements, the Statement of Movement on the General Fund Balance on page 41.

Statement of Total Recognised Gains and Losses (page 42)

The Income and Expenditure Account brings together all the functions of the Council and summarises all of the resources the Council has generated, consumed or set aside in providing services during the year. However, the Council also recognises other gains and losses in the Balance Sheet and the Statement of Total Gains and Losses (STRGL) brings these other gains and losses together with the outturn in the income and expenditure account to show the total movement in the Council's net worth for the year. The table below shows how this movement is demonstrated:

Balance Sheet as at 31st March 2009 £000	Total movement in net worth during 2009/10 £000	Balance Sheet as at 31st March 2010 £000
347,339	(78,161)	269,178

The major reason for the decrease in the net worth of the Council is the net movement in the Avon Pension Fund deficit which is explained in greater detail on the following page.

Balance Sheet (pages 43 - 44)

This shows the Council's financial position at 31st March 2010, listing the value of assets and liabilities. Extensive notes are provided to assist in understanding the detail in the Balance Sheet. The Council manages fixed assets worth £682m. The Council spent over £67m on capital projects during the year, £63m of which resulted in new investment in assets which will benefit the community of North Somerset for some years, the major schemes being Schools £30m, Housing £3m and Development and Environment £19m.

These projects were funded by borrowing of £20m, grants and contributions of £41m, and capital receipts and revenue contributions of £6m. At the year-end, any slippage or re-phasing of 2009/10 schemes, together with newly approved schemes for 2010/11 have been included in an agreed funding plan which fully meets these spending demands.

As at 31st March 2010, the amount of expenditure that is currently financed from long term borrowing, either external or internal had reached £131m, from the opening requirement of £116m. The vast majority of the external long-term borrowing has been arranged with the Public Works Loan Board. Current assets, which are those assets the Council has access to, such as cash and debtors, exceed current liabilities, such as creditors, by £34m, a healthy position being managed proactively.

Cash Flow Statement (page 45)

This summarises the movement of cash arising from all the activities of the Council. For the first time, the Council has utilised CIPFA's cash-flow toolkit in preparing the Statement. This toolkit presents the Statement on the 'indirect' basis, which is a change from the Council's previous practice, of using the 'direct' method.

Over the year the overall amount of cash held by the Council increased by £2.2m, compared to a net movement of £0.2m in the previous year.

Collection Fund (pages 93 - 96)

This details the Council's activities in collecting Council Tax and National Non-Domestic Rates (NNDR). At the year-end the Fund had a surplus balance of £1.687m, of which £0.195m is due to Avon & Somerset Police, and £0.071m to the Avon Fire Authority, leaving £1.420m being due to North Somerset Council.

Explanatory Foreword

Council Tax gross debts of £7.2m (from all previous years) were outstanding at the year-end, which the Council is making every effort to collect. Provision has been made for non-collection of £4.2m. The level of gross National Non-Domestic Rate arrears stood at £6.4m, with a £4m provision for bad debts. During the year, sums of £0.3m NNDR, and £0.2m Council Tax irrecoverable arrears were written off to the relevant bad debt provisions.

Avon Pension Fund Reserve (page 84)

The Council's element of the Avon Pension Fund Reserve deficit stood at £169.840m as at 31st March 2010. This is an increase of £47.931m on the opening deficit for the year of £121.909m, and is principally due to changes in actuarial assumptions.

The financial assumptions used by the Actuary for the calculations as at 31 March 2010 are more prudent than those used as at 31 March 2009. Over the year to 31 March 2010, investments have performed significantly worse than the FRS17 assumptions, with funds typically generating investment returns of the order of -20%. This compares with an "expected" return calculated at the start of the year of around 6.5% net of expenses. This results in a negative "actual less expected return on assets" item. For an investment return of -20% the "actual less expected return on assets" would normally be between -30% and -35% of the value of the assets at the year end.

However, this negative investment return earned on the Fund's assets is partly offset by a reduction in the assumptions surrounding the fund's liabilities. This has been driven by the yields on corporate bonds rising and inflation expectations falling during the year. The result has been a large reduction in FRS17 liabilities for employers. In isolation, the effect for a typical employer of the change in financial assumptions would be to reduce the FRS17 liabilities by about 20%-25%.

Overall Situation and Outlook

North Somerset Council faces significant financial challenges over the next few years. These are by no means unique to North Somerset and, to a large extent, will be seen in the financial planning documents of all upper-tier local authorities.

Traditionally the characteristics and changes in the local population, together with changes in statutory services such as the major changes in waste management do, however, suggest a scale of financial challenge for North Somerset that is greater than is typically seen elsewhere.

The Council's Medium Term Financial Plan presented in February 2010 projected an initial shortfall of £4.425m for 2011/12, to be met by savings, additional income, reduced pressures or higher council tax. The scale of this shortfall will require firm action to be taken to reduce spending and/or raise income.

The Council will need to continue to take action to overcome both its current and future financial challenges. It will need:

- to ensure efficiency gains across all Services;
- to work with, and commission the private and 3rd sectors;
- mitigate and contain spending pressures (such as older people, learning disabilities, vulnerable children, waste, pensions and the recession) wherever possible;
- identify increases in fees and charges where needed to cover relevant costs and eliminate "hidden subsidies";
- reduce expenditure where spend is linked to grant funded activities, and the grant is reduced or withdrawn;
- reduce the scope of, or withdraw fully from, selected lower-priority services
- to prioritise its own very limited capital resources to meet its highest priority needs

In practice, the Council's revenue budget is likely to be redirected, with a higher proportion being spent on adult social care and vulnerable children, and budgets for other services, notably support services and overheads, being reduced.

Explanatory Foreword

In response to the need to reduce its support service costs, the Council will push forward with two major projects aimed at improving services and reducing costs in 2010/11, namely:

- Office Amalgamation project - Following the acquisition of the Castlewood site, in Clevedon, at the end of 2009/10, the Council will rationalise its current accommodation arrangements in 2010 and 2011, creating a dual hub working arrangement, centred around the Town Hall in Weston-super-Mare and Castlewood.
- Internal Support Services contract - the Council is currently in the process of procuring a private sector partner to deliver its transactional services, eg payroll, creditors and debtors, and to assist the Council, through increased capacity, in the delivery of a business improvement and procurement programme, which will provide the Council with investment in key technologies eg financial management system, e-procurement.

The implementation of the new Financial Management system will be particularly welcomed, given the likely influence finance will have upon the Council's decision making process over the coming years, as well as changes in statutory requirements, such as the change in accounting regulations to International Financial Reporting standards, which will have a dramatic effect on these statements when the standards are introduced in time for the production of next year's accounts.

In simple terms, the Council will need to ensure that **all** cost pressures in excess of normal inflation will have to be mitigated by cost savings or additional income. The challenges indicate that there will be a significant level of cost pressures in excess of inflation, and therefore a very significant level of savings will be required. The Council will continue to vigorously pursue efficiency improvements in the way it provides services.

But the scale of challenge over, say, the next five years is likely to require a scaling back of services to be provided by the Council and changes in public expectations. This is particularly true when faced with a reduction in central government funding as a consequence of the spending cuts being planned to help in reducing the Country's borrowing requirements, and overall deficit.

The degree to which these spending cuts will affect North Somerset, is still being understood at the time of writing, but given our existing financial position, any reduction in grant is likely to have a significant effect on the Council's ability to continue delivering its current level and mix of services.

Phil Hall CPFA BSc (Hons)
Director of Finance and Resources

18 June 2010

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Statement of Accounting Policies

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 content, layout and general rules we have used to prepare these accounts are those recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Accounting Policies are defined in *FRS18 Accounting Policies* as those principles, bases, conventions, rules and practices applied by an organisation that specify how the effects of transactions and other events are reflected in the financial statements. These include estimation techniques that have been used in applying the policies. The accounting policies that are significant to the understanding of the Council's accounts are listed below.

1. Group Accounts

Local Authorities with material interests in subsidiary and associated companies are required to prepare summarised Group Accounts (Income & Expenditure Account and Balance Sheet). This entails consolidating the accounts of the companies concerned with those of the local authority itself, at a summarised level.

However, if the activities of such companies are not significant in relation to the overall operational activities of the authority, the requirement to produce group accounts is not necessary.

The Council has no material interest in subsidiary or associated companies and therefore Group Accounts have not been prepared.

2. Tangible and Intangible Fixed Assets

i) Categorisation

Fixed Assets are categorised into two classes:

- **Intangible Assets:**

Non-financial assets which do not have a physical substance but are identified and controlled by the Council through legal rights, e.g. IT software, and which bring benefits to the Council for more than one year.

- **Tangible Fixed Assets:**

- **Operational Assets:** Assets held and occupied for the direct delivery of services or administrative purposes on a continuing basis, including infrastructure and community assets. The Council includes VC schools within the Balance Sheet in line with FRS 5, substance over form.
- **Non-Operational Assets:** Assets held but not directly occupied or used in the delivery of services, including assets held primarily for investment purposes, surplus assets awaiting disposal and land and buildings in the course of development but not yet completed (assets under construction).

ii) Recognition

Expenditure on the acquisition, creation or enhancement of fixed assets (i.e. which adds to, and not merely maintains, the performance of the assets) is capitalised on an accruals basis and classified as either a Tangible Fixed Asset or an Intangible Asset on the Balance Sheet, provided that it yields benefits to the Council and the services it provides are for a period of more than one year. Expenditure that secures but does not extend the performance on the assets (e.g. repairs & maintenance) is charged to the Income & Expenditure Account in the year that it is incurred.

Statement of Accounting Policies

iii) Measurement

Assets are initially measured at cost, comprising all the expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then valued in the Balance Sheet using the following bases:

- Intangible assets – purchase cost, net of amortisation to revenue over the economic life of the investment.
- Operational land & buildings, vehicles, plant & equipment – where there is market evidence of value, at open market value for existing use. Similar assets for which there is no evidence of market value are included in the Balance Sheet at Depreciated Replacement Cost (DRC).
- Infrastructure & community assets – historical cost, net of depreciation where appropriate.
- Investment property & surplus assets – Open Market Value (OMV).
- Assets under construction – historical cost.

iv) Revaluation

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but formally revalued at intervals of not more than five years.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income & 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, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

The Section 151 Officer obtains an annual appraisal of trends in property values from the Council's Head of Property and Asset Management in respect of the Council's assets. Based on this appraisal a judgement will be made as to whether any amendment to the Council's accounts is required or whether an adjustment is needed to its revaluation programme.

v) Depreciation

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

In accordance with *FRS15 Tangible Fixed Assets* and CIPFA's Consolidated Guidance Note on *Capital Accounting by Local Authorities*, together with its Best Value Accounting Code of Practice, the Council has established a detailed policy on the principles it has adopted with regard to the calculation of asset lives and depreciation on its assets as follows:

- Where an asset has a finite useful life in its existing use, it will be depreciated on a straight-line basis, based on the valuation of the asset at 1 April each year.
- The remaining life of the Council's assets is determined by the Council's Head of Property and Asset Management or other professional staff under his/her control when the asset is acquired or at the time of five-yearly revaluation.
- If the existing use of an asset changes at any time or an asset becomes surplus to requirements then its finite useful life will be re-assessed.
- Depreciation is not provided for freehold land or for non-operational investment properties.

Statement of Accounting Policies

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.

Grants & Contributions

Where grants or external contributions are received to fund the acquisition of 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.

vi) Amortisation of Intangible Assets

Intangible assets are amortised to the revenue account over their useful life, in accordance with *FRS10 Goodwill and Intangible Assets*, reflecting their consumption of benefit to the service.

vii) Impairment

Assets have been reviewed for impairment in accordance with the requirement of the SORP and any material effects reflected in the Balance Sheet valuation of Fixed Assets.

Where an impairment loss is caused by a clear consumption of economic benefits (e.g. physical damage or deterioration in the quality of the service provided by the asset), the loss is charged to the relevant service revenue account. In other instances, the loss is written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the Capital Adjustment Account.

The Section 151 Officer is provided with an annual statement of any of the Council's assets that suffered an impairment loss during the year.

viii) Charges to Revenue for Fixed Assets

Service revenue accounts, support services and trading accounts are charged annually with the following amounts to reflect the real cost of holding fixed assets:

- 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 and therefore these charges to the Income & Expenditure Account are reversed out in the Statement of Movement on the General Fund Balance by way of a charge to Capital Adjustment Account.

However, the Council is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement - the Minimum Revenue Provision (see below).

ix) Disposal and gains or losses on disposal

A number of accounting entries are required on disposal of an asset as follows:

- The value of the asset in the Balance Sheet is written off to the Income & Expenditure Account as part of the gain or loss on disposal.
- Receipts from disposals are credited to the Income & Expenditure Account as part of the gain or loss on disposal (i.e. they are 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.

Statement of Accounting Policies

- Amounts in excess of £10,000 are categorised as capital receipts and are required to be credited to the Usable Capital Receipts Reserve, and 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.

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.

3. Minimum Revenue Provision (Debt Redemption)

Provisions in the Local Government Act 2003 require local authorities to set aside revenue resources for repayment of debt incurred as a result of funding capital expenditure. The Minimum Revenue Provision (MRP) is calculated in accordance with the relevant Capital Finance Regulations - equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement.

The depreciation, impairment losses and amortisation charged in the Income & Expenditure Account are reversed and replaced by the MRP by way of an adjusting transaction with the Capital Adjustment Account.

4. Revenue Expenditure Funded by Capital Under Statute – formerly known as Deferred Charges

Legislation permits some expenditure to be capitalised even when it does not create a fixed asset. This allows it to be funded from existing capital resources or borrowing. These items are generally grants and expenditure on property not owned by the authority e.g. Disabled Facilities Grants and Grants to Housing Associations, and expenditure on assets owned by voluntary groups etc.

This expenditure is charged to the relevant service revenue account within the Income and Expenditure Account. Where the Council has determined to meet the cost of this expenditure from capital resources, a transfer to the Capital Adjustment Account then reverses out the amount charged in the Statement of Movement on the General Fund Balance, and there is no impact on the level of Council Tax.

5. Capital Financing

The Local Government Act 2003 introduced changes to the financing of capital expenditure, including the abolition of credit approvals and a new prudential capital finance system (the Prudential Framework), with effect from 1 April 2004.

Under the new system local authorities are responsible for deciding the level of their affordable borrowing. The Prudential Limits introduced by the Code apply to all borrowing whether supported by Government or entirely self-financed.

Capital Financing Requirement

A key definition under the Code is the Capital Financing Requirement (see Note 18.3, page 62). Local Authorities have a number of means available for financing capital investment. The term 'financing' refers to the resources that are applied to ensure any underlying amount arising from capital payments is dealt with immediately and absolutely. If capital payments are not dealt with in this way, it will lead to an increase in the Council's Capital Financing Requirement.

The level of the Capital Financing Requirement can be reduced over time by future applications of capital receipts or contributions, or by future charges to revenue.

Statement of Accounting Policies

6. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income & Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income & 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 & Expenditure Account in the year of repurchase/settlement. However, where repurchasing takes place as part of a restructuring of the loan portfolio which 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 & Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

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

The Council has incorporated its share of the outstanding long-term debt liabilities of the former Avon County Council within the Balance Sheet, as opposed to disclosure within a Note.

7. 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 & Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principle receivable and interest credited to the Income & Expenditure Account is the amount receivable for the year in the loan agreement.

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 & Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income & 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 & 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 (e.g. dividends) is credited to the Income & Expenditure Account when it becomes receivable by the Council.

Statement of Accounting Policies

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations

Changes in fair value are balanced by an entry in the Available-for sale 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 & 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 & Expenditure Account.

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

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

8. Interest on Internal Balances

In the main, interest on internal balances is only paid where required by statute or where sums have been deposited with the Council for specific purposes, e.g. developers' contributions to developments. The exceptions to this rule are that interest is credited to the Council's insurance reserves and provisions in order to maintain their real value, or where the Council is acting as the accountable body for a partnership of which it is a member.

9. Provisions, Contingent Liabilities and Contingent Assets

Under the requirements of the *FRS12 Provisions, Contingent Liabilities and Contingent Assets*, provisions are made for any liabilities of uncertain timing or amount that have been identified. Provisions are recognised when:

- the Council have a present obligation (legal or constructive) as a result of a past event
- it is probable that a transfer of economic benefits will be made to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Provisions are charged to the appropriate service revenue account in the year that 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 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 now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service 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 service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

Contingent liabilities and contingent assets are not recognised as liabilities or assets. However, a contingent liability will be disclosed if the possibility of an outflow of economic benefit to settle the obligation is more than remote. A contingent asset will be disclosed if an inflow of economic benefit is probable. (See Note 32, page 78)

Statement of Accounting Policies

10. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. For each reserve established, the purpose, usage and the basis of transactions is clearly identified.

Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year within Net Cost of Services in the Income & Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

A number of reserves are maintained to manage specific accounting requirements and do not represent usable resources for the Council as follows:

Fixed Assets

Certain reserves are kept to manage the separation of accounting for fixed assets from accounting for their financing. There are two reserves which help to manage this separation:

- Revaluation Reserve – records unrealised gains arising from holding fixed assets (from 1 April 2007); see Note 33.3 (page 81).
- Capital Adjustment Account – provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and are financed through the capital controls system; see Note 33.2 (page 80).

Pensions

The Pensions Reserve is a notional reserve used to reverse out the net effects of the requirements of *FRS17 Retirement Benefits* to ensure that there is no overall impact on the local tax requirement. The reserve will always be equal and opposite to the Council's share of the pension fund's net assets or liabilities; see Note 34 (pages 84 - 88).

Financial Instruments

Two reserves are kept to manage the accounting requirements for Financial Instruments; see Note 25 (pages 68 - 73):

- Financial Instruments Adjustment Account – provides a balancing mechanism between the different rates at which gains and losses are recognised under the SORP and are required by statute to be met from the General Fund.
- Available-for-Sale Financial Instruments Reserve – records the unrealised revaluation gains arising from holding available-for-sale investments, plus any unrealised losses that have not arisen from impairment of the assets.

Capital

The following are capital reserves and are not available to support revenue spending:

- Useable Capital Receipts Reserve – holds the residual funds from the sale of assets that can be used to fund future capital expenditure; see Note 33.6 (page 82).
- Major Repairs Reserve – the residual balance of former Housing Revenue Account Subsidy paid in the form of the Major Repairs Allowance; see Note 33.7 (page 82).

Statement of Accounting Policies

11. Accruals (Debtors & Creditors)

The Council operates its revenue and capital accounts on an accruals basis in accordance with *FRS18 Accounting Policies*; i.e. sums due to or from the Council are recorded in the accounts for the year that activity 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.
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

Where the exact amount of the sum is unknown an estimate will be made based on historical knowledge of the type of transaction and the value of similar payments. An exception is where there are regular bills, such as utilities and staff travel payments, where, if not material, no accruals have been made as over a period of time the number of payments per year will even out. In addition, to meet earlier closure requirements where the exact value of a transaction or a number of transactions is not yet known, estimates of the amounts due/owed have been made.

12. Bad Debt Provisions

Bad Debt Provisions for General Fund outstanding debt are calculated on the following basis.

- Sundry debtors - any outstanding debt raised prior to 1 April 2000, a 100% provision is made, which is held and managed centrally.
- Debt raised since 1 April 2000 - each service area has considered individual debts and makes a suitable provision based upon the available information.
- Rent Allowances and Rent Rebate Overpayments – 100% provision for debt more than 1 year old, 75% for 2009/10 outstanding debt.

With regard to the Collection Fund:

- Council Tax & NNDR – provision is based on an analysis of the recovery stage reached by the Council's contractor in collecting the sums due. These range from a 2% provision for debt where a bill has only been sent out within the last month, a 40% - 45% provision where a summons has been issued and Liability Order raised, a 75% - 80% provision where the debtor has been referred to the Bailiffs and a 100% provision where there is no trace of the debtor concerned.

Statement of Accounting Policies

13. Stocks & Work in Progress

The majority of the Council's stocks relate to catering and shop items held at various establishments together with the stationery stocks held at the Town Hall. Catering and shop stocks are valued on a First In / First Out basis, controlled stationery stocks are valued at cost. Green sacks are valued on a cost basis.

Work in Progress relates to "rechargeable works" not yet invoiced.

14. Retirement Benefits

The entries in the Statement of Accounts in respect of retirement benefits are made in accordance with *FRS 17 Retirement Benefits*. Although a complex accounting standard, it is based on the simple principle that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future. In this way the accounts represent the employer's commitment to increase contributions to make up any shortfall in attributable net assets, or its ability to benefit (via reduced contributions) from a surplus in the scheme.

Employees of the Council are members of two separate pension schemes:

- The Teachers' Pensions Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Children, Schools and Families (DCSF).
- The Local Government Pension Scheme, administered by Bath & North-East Somerset Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Teachers' Pensions Scheme

Prior to 2008/09 the arrangements for the teachers' scheme were such that the liabilities were not readily identifiable to the Council and the liability was calculated based on the application of an actuarial factorisation established in *Local Authority Accounting Panel Bulletin No. 51 - "Guidance on the Application of the New Disclosure Notes for Pension Costs"*. This involved multiplying both the new payments made in year re on-going payments and payments made in the year in respect of prior years by a factor of 19. It was recognised that this calculation was somewhat crude in nature but due to a lack of more detailed information a more precise calculation had not possible.

From 2008/09 onwards further information has been available from the Actuary meaning that precise data has been used in order to close the accounts on a similar basis to the Avon Pension Scheme and is reflected in Note 34.3 on page 87.

The Local Government Pension Scheme

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

- Liabilities 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 retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of future earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.6%, calculated as a weighted average of "spot yields" on AA rated corporate bonds.
- Assets within the scheme attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – bid price (previously mid-market value)
 - unquoted securities - professional estimate
 - unitised securities - average of the bid and offer rates
 - property - market value

Statement of Accounting Policies

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

Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Income & Expenditure Account to the revenue accounts of services for which the employees worked

Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income & Expenditure Account 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 – debited to Net Operating Expenditure in the Income & Expenditure Account

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 – credited to Net Operating Expenditure in the Income & Expenditure Account

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 – debited to the Net Cost of Services in the Income & Expenditure Account as part of Non Distributed Costs

Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains & Losses

Contributions paid to the 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. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

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 LGPS.

Somerset and Gloucestershire County Council Schemes

The Council also makes payments to Somerset County Council in respect of pension costs which relate to employees prior to Local Government Reorganisation in 1974. These costs are deemed to represent the current cost of service and are charged to Non Distributed Costs in the Income & Expenditure Account.

Statement of Accounting Policies

15. Leases

Finance Leases

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

- a charge for the acquisition of the interest in the property (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 Net Operating Expenditure in the Income & Expenditure Account as the rent becomes payable)

Fixed assets are recognised under finance leases and 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 rentals are charged when they become payable.

Authority as Lessor

The Council owns various commercial and investment property that it leases out. All properties are non-operational and, therefore, depreciation does not apply to these assets. The rental income from these properties is credited to the relevant service revenue account and included in Net Cost of Services in the Income & Expenditure Account.

16. Government Grants (Revenue)

Revenue Grants, including the Dedicated Schools Grant, are matched with the expenditure to which they relate. Grants are accounted for on an accrual basis and recognised in the accounts when the conditions for their receipt have been complied with. To meet earlier closure requirements, where the exact value of a grant is not yet known, estimates of the amounts due/owed have been made.

17. Government Grants (Capital)

Capital Grants are allocated to the Government Grants Unapplied account as they are received and transferred to the Government Grants Deferred Account as they are utilised to finance capital expenditure. Capital Grants that relate to Deferred Charges written off in the year are credited to the service revenue account and treated as revenue grants. Where a Capital Grant has been used to finance an asset that is subject to depreciation, then the grant is released from the Government Grants Deferred account to the appropriate service in the Income & Expenditure Account in line with the depreciation charge on the asset concerned.

18. Overheads and Support Service Costs

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2008*. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received e.g. each section's salaries and related costs are allocated according to time spent by staff on particular services, office accommodation costs are recharged according to the floor area occupied, etc.

The exceptions to this are:

- 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.

Statement of Accounting Policies

19. VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

20. Prior Period Adjustments

Any prior period adjustments are accounted for in accordance with *FRS3 Reporting Financial Performance*.

21. Events After the Balance Sheet Date

Post Balance Sheet events are accounted for in accordance with *FRS21 Events After the Balance Sheet Date*, including the requirement to disclose the date that the financial statements are authorised for issue. This establishes the date after which events will not have been recognised in the Statement of Accounts, which is 18 June 2010.

22. Changes in Accounting Practice

As outlined in the explanatory foreword there has only been one significant change within the accounting requirements for this year, which relates to Accounting for Council Tax and NNDR.

Council Tax and NNDR

The 2009 SORP requires the core financial statements to reflect the Council's role as an agent for the major Council Tax preceptors (the Fire and Police Authorities), and for the Government with regard to NNDR.

23. Summarised Accounts

To assist the user, a summarised version of the accounts is available for view on the North Somerset Council website, www.n-somerset.gov.uk. If readers require a hard copy of this summary, copies are available from the Financial Management section on 01275 884368.

Statement of Responsibilities

North Somerset Council's Responsibilities

North Somerset Council is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Finance and Resources.
- to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets.
- approve the Statement of Accounts.

The Director of Finance and Resources' Responsibilities

The Director of Finance and Resources is responsible for the preparation of the Council's Statement of Accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code"), the Best Value Accounting Code of Practice issued by CIPFA, the Prudential Code, Statements of Standard Accounting Practice (SSAPs) and Financial Reporting Standards (FRSs), which require the Council to certify a 'true and fair view' of the financial position of the authority and its income and expenditure for the year ended 31 March 2010.

In preparing this Statement of Accounts, the Director of Finance and Resources has:

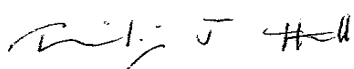
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code.

The Director of Finance and Resources has also:

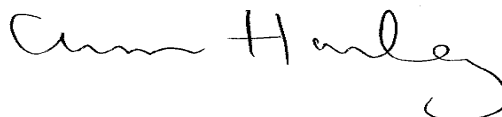
- kept proper accounting records which were up to date; and
- taken reasonable steps to prevent and detect fraud and other irregularities.

CERTIFICATE

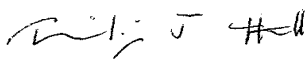
I hereby certify that the following Statement of Accounts a true and fair view of the financial position of North Somerset Council as at 31 March 2010 and hereby authorise the issue of the accounts.



Phil Hall, CPFA BSc (Hons)
Director of Finance & Resources
29 June 2010



Cllr Ann Harley
Chairman of North Somerset Council
29 June 2010



Phil Hall, CPFA BSc (Hons)
Director of Finance & Resources
28 September 2010

Annual Governance Statement

1. Scope of Responsibility

- 1.1. The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- 1.2. The Council 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.
- 1.3. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes ensuring a sound system of internal control and arrangements for the management of risk.
- 1.4. The Council has adopted a Local Code of Corporate Governance, which is consistent with the six principles of the CIPFA/SOLACE Framework, *Delivering Good Governance in Local Government* in September 2008:
 - focusing on the Council's purpose and on outcomes for the community and creating and implementing a vision for the local area;
 - members and officers working together to achieve a common purpose with clearly defined functions and roles;
 - promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
 - taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
 - developing the capacity and capability of Members and officers to be effective; and
 - engaging with local people and other stakeholders to ensure robust public accountability.

This Statement explains how North Somerset Council has complied with the Local Code of Corporate Governance 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 preparation and publication of a Statement on Internal Control.

2. The Purpose of the Governance Framework

- 2.1. The governance framework comprises both the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community.
- 2.2. It enables the Council to monitor the achievement of its aims and corporate priorities and to consider whether those aims and corporate priorities have led to the delivery of appropriate, cost-effective services.
- 2.3. The system of internal control is a significant part of the 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, therefore, only provides reasonable and not absolute assurance of effectiveness.

Annual Governance Statement

3. The Governance Framework

- 3.1 The key elements of the systems and processes that comprise the Council's governance arrangements are described below.

The documents referred to may be viewed on our public website <http://www.n-somerset.gov.uk/> or are available on request.

- 3.2 **Identifying and communicating the Council's vision of its purpose and intended outcomes for the public and service users;**

- The Corporate Plan

The Corporate Plan 2008-2011, approved by Full Council on 6 May 2008, established the Council's vision, aims, priorities and values. It is the Council's medium-term delivery plan for realising its contribution towards the long-term vision for the district, as set out in the North Somerset Sustainable Community Strategy 2008-2026.

Other factors that influence the formation of the Corporate Plan are:

- Residents' views and outcomes from consultation and engagement activities
- Political objectives
- Central government plans/targets
- Legislation
- Regional Plans/targets
- Partners from across all sectors
- Town and Parish Council plans and objectives

Members and senior management have agreed targets and measures to enable progress to be monitored against each of the six corporate aims. The Corporate Management Team monitors Key Corporate Performance Indicators (KCPIs) on a monthly basis. Quarterly progress reports for the KCPIs identified in the Corporate Plan are presented to the Executive and to Policy and Scrutiny Panels.

- The North Somerset Sustainable Community Strategy

The North Somerset Partnership is the Local Strategic Partnership for the area and brings together representatives from the public, business, voluntary and community sectors in the local authority area.

The Sustainable Community Strategy 2008-2026 "Improving our Communities Together" was launched at the North Somerset Partnership annual stakeholder event on 22nd April 2008.

The Sustainable Community Strategy sets out the vision and shared priorities to improve the economic, social and environmental well-being of the area, and shows how partners will work together to develop sustainable communities. The Sustainable Community Strategy has its own Performance Management Framework, which the Partnership Board and its Delivery Partnerships use to monitor progress against its long-term ambitions and shared priorities for the area.

Annual Governance Statement

- The Local Area Agreement

The North Somerset Local Area Agreement 2008-2011 is the key delivery mechanism for the Sustainable Community Strategy 2008-2026.

The Local Area Agreement is aimed at improving the quality of life for local people through better joint working practices and by strengthening local services, and is built around the shared priorities in the Sustainable Community Strategy.

Local Area Agreements are an agreement between Central Government, the Council and its partners, setting out a series of improvement areas and targets aimed at tackling local priorities.

3.3 Reviewing the Council's vision and its implications for the Council's governance arrangements;

- Council's Vision

The vision, stated in the Corporate Plan 2008-2011 is "To provide clear leadership, quality services and an affordable Council tax".

The vision has implications for many of the systems and processes that comprise the Council's governance arrangements, including the Management Competency Framework (Leadership First), the Performance Management Framework and the Medium Term Financial Plan.

3.4 Measuring the quality of services for users, ensuring they are delivered in accordance with the Council's objectives and that they represent the best use of resources;

- Performance Management Framework

The Corporate Plan and Performance Plan set out the aims and priorities for the Council, which are supported by measurable Performance Indicators and associated targets. These are also reflected in directorate business plans, service and team plans and individual appraisals.

Performance is managed through the Council's Performance Management Framework that ensures that the Executive and Scrutiny Panels have quarterly reports on issues emerging from an analysis of the Key Performance Indicators. These are a basket of measures, which include local and statutory targets and allow managers and members to assess whether the Council is delivering on its priorities set out in the Corporate Plan 2008-2011.

The Corporate Management Team receives quarterly monitoring reports showing progress on priorities. This consists of a set of key corporate performance indicators (developed to monitor key priorities), the budget and updates on progress against key corporate strategic projects.

Directorate management teams monitor performance quarterly, covering relevant key corporate performance indicators and key corporate strategic projects and directorate service priorities. Progress against relevant service plans is also monitored on a regular basis. Services and teams will monitor performance regularly at service/team meetings. These will inform the Directorate management team meetings.

Annual Governance Statement

3.5 Defining and documenting the roles and responsibilities of the Executive, Non-Executive, Scrutiny and Officer functions, with clear delegation arrangements and protocols for effective communication;

- Constitution

The Council has a published Constitution that was last updated in September 2008 which sets out how the Council operates, its decision making arrangements and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution will be updated in 2010.

There are clear rules of procedure for running Council meetings and each report contains clear reasons for its recommended decision together with legal, financial, risk and equality considerations before it is finalised. Each agenda for a Council or business meeting contains an item requiring members at the outset of the meeting to declare any relevant interests.

The structure, agendas and minutes of all the public meetings of the Council and its committees are available on the Council website.

- Corporate Management Team

The Corporate Management Team is the senior officer management team, which works closely with the Executive Members to ensure a corporate approach to delivering the Council's vision, aims and priorities.

The Corporate Management Team is made up of the Chief Executive Officer, the four Directors, the Head of Performance Improvement & Human Resources and the Strategic Policy Development Manager. Its role is to help the Council translate its policies into practice; to guide the strategic direction of the organisation; and to support managers and staff in the development and delivery of services.

The Corporate Management Team meets each week, based on a pre-determined work plan aligned to the Strategic Risk Register. Key messages from meetings are agreed each week and are passed on to staff that same week through the staff newsletter, 'The Knowledge'.

3.6 Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff;

- Standards Committee

The Standards Committee is made up of four councillors, three parish councillors and three independent people, with the following roles and responsibilities:

- Promoting and maintaining high standards of conduct by councillors, co-opted members and church and parent governor representatives by advising and training them on matters relating to the Members Code of Conduct;
- Advising the Council on the adoption or revision of the Members Code of Conduct and monitoring its operation;
- Granting dispensations to councillors, co-opted Members, church and parent governor representatives relating to interests set out in the Members Code of Conduct;
- Dealing with reports from a case tribunal, and any report from the Monitoring Officer or any matter which is referred by an ethical standards officer to the Monitoring Officer;
- Overview of the Anti-Fraud & Corruption Policy Statement (which incorporates a "whistle-blowing" policy) complaints handling and Ombudsman investigations and the Constitution.

Annual Governance Statement

- Members and Officers Codes of Conduct

The Members and Officers Codes of Conduct outline existing laws, regulations and conditions of service and provide further guidance to assist the Council and its employees in their day-to-day work, as the public is entitled to expect the highest standards of conduct from all members and officers of the Council.

Members are encouraged to undertake training relevant to the area of decision making in which they are involved. New members joining the Council receive an induction folder and induction training.

The Constitution also contains a Member-Officer Protocol which shows how both parties should behave in their working relationship.

3.7 Reviewing and updating Standing Orders, Financial Regulations, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls to manage risks;

- Financial Management

The Council's Financial Regulations - Accountability and Responsibility Framework sets out the means by which the Council will discharge its responsibilities under the Local Government Act 1972 (and other legislation) and forms part of the Constitution.

The overall financial arrangements are governed by its Medium Term Financial Plan that sets out the strategic financial framework.

Financial management is achieved by the production of monthly informative and robust budget monitoring information for all services. It is predictive and is based on a phased budget to give a fair reflection of current performance.

- Corporate Procurement Strategy

The Corporate Procurement Strategy 2005-2008 follows the National Procurement Strategy. A procurement review is currently underway and a revised Strategy will be available on completion of the review.

Contract Standing Orders define the framework for competition and decision making in a transparent, legitimate and fair manner, and govern the activity of purchasing goods, services and works. These are reviewed annually as part of the Constitution.

- Risk Management

The Risk Management Strategy 2009-11 was approved by the Audit Committee on 17th March 2009.

The Strategic Risk Register is a live document which is reviewed by the Corporate Risk Management Group, Corporate Management Team and the Audit Committee on a quarterly basis. It is approved annually by the Executive and was last approved on 17th February 2009. During 2009/10, the Audit Committee continued its programme of risk review workshops with Directors to review each of the strategic risks.

The Audit Committee approve the Annual Risk Management Improvement Plan and monitor progress in implementing the agreed actions at each of their quarterly meetings. They also receive the Risk Management Annual Report.

The Corporate Risk Management Group is attended by the Executive Member for Finance, Property and Human Resources and meets on a quarterly basis to consider progress in integrating risk management into the culture of the Council and the identification and management of risks. It is supported by the Operational Risk Management Group.

Annual Governance Statement

3.8 Ensuring the Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on The Role of the Chief Financial Officer in Local Government (2010);

(This section is added to comply with the CIPFA / SOLACE *Application Note to Delivering Good Governance in Local Government: a framework*, March 2010).

- To enable the authority's financial arrangements to conform with the key governance requirements, the Director of Finance and Resources, in his role as the Council's s.151 Officer has ensured that:
- The finance function he leads and directs, is resourced to be fit for purpose; and
- Are professionally qualified and suitably experienced.

Key targets of the financial management function include:

- Resource and deliver the organisation's strategic objectives sustainably and in the public interest;
- Involved in and influencing all material business decisions, ensuring due consideration is given to immediate and longer term implications, opportunities and risks, as well as alignment to the council's overall financial strategy;
- Lead the promotion and delivery of good financial management by the whole organisation, so that taxpayer's money is safeguarded at all times, and used appropriately, economically, effectively and efficiently.

Whilst the current global financial crisis has placed greater emphasis on these key requirements, the framework adopted by the Council ensures that appropriate importance is placed on these issues at all times, irrespective of external pressures.

3.9 Carrying out the core functions of an Audit Committee, as identified in CIPFA's *Audit Committee – Practical Guidance for Local Authorities*;

- Audit Committee

The Audit Committee is made up of five elected members and two independent people who meet on a quarterly basis.

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

3.10 Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful;

- Statutory Officers

The Chief Executive Officer (Head of Paid Service), the Director of Finance & Resources (Section 151 Officer) and the Head of Legal & Democratic Services (Acting) Solicitor to the Council and Monitoring Officer were the Council's Statutory Officers during 2009/10.

The Statutory Officers meet every quarter or on an ad-hoc basis in between to discuss all significant matters relating to the Council that have an impact on service delivery.

Annual Governance Statement

- Committee Report Sign-Off

The Council has put in place arrangements whereby the Section 151 Officer and the Monitoring Officer sign-off, from a financial/risk management and legal/constitutional perspective, reports to the Executive and Council prior to submission for decision.

3.11 Whistle blowing and receiving and investigating complaints from the public;

- Anti-Fraud & Corruption Policy Statement

The Anti-Fraud and Corruption Policy Statement was approved by the Council on 5th January 2010, and demonstrates the Council's commitment to ensure that it acts with integrity and promotes high standards. The policy is a mechanism for staff and members of the public to report their concerns and recognises the role the public can play in alerting the Council to areas where there is a suspicion of fraud.

- Customer Complaints

The Council is committed to the delivery of quality services that meet the needs of the public and has developed a robust customer complaints procedure.

If not satisfied with the outcome of a complaint, the public are able to request that their complaint be examined by the Local Government Ombudsman.

3.12 Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training;

- Appraisal Scheme

The appraisal system has a key role in making sure each directorate makes the best use of its staff and is an integral part of the Council's commitment to managing performance. It is designed to provide close links to the business planning process.

- Leadership Development Framework (Leadership First)

The Council believes that continuous personal development by its managers is a key factor to its ongoing success.

In order to facilitate ongoing personal development and to enable the Council to develop a comprehensive and effective leadership/management development programme, a framework of competencies have been set out as a benchmark of successful management performance.

The framework identifies a series of skills, behaviours and values which will enable the Council to effectively respond to the ever changing environment in which it operates. It defines the generic skills and qualities that are required to meet the Council's corporate priorities and core values.

- Corporate Training

All staff are provided within induction training/packs upon commencement of their employment with the Council and all elected members are provided with induction training/packs upon their election to office.

The Corporate Training Team has produced a detailed programme of training courses for officers, managers and elected members.

Annual Governance Statement

3.13 Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation;

- Citizens Panel

The Citizens Panel gives the public the opportunity to influence the Council's policies, decisions and services. It is made up of around 1,400 local residents who regularly give their views on a range of issues and services.

It provides the Council with important opinion research and is made up of a representative sample of the adult population of North Somerset. The aim of the Panel is to improve the Council's understanding of what the public in the district want, think and feel and to help the Council improve its services.

- North Somerset Life

North Somerset Life is the Council's monthly magazine which is sent out to 90,000 homes across the district each month. The magazine was relaunched in April 2008, using Royal Mail distribution to guarantee delivery, and it also doubled in size from 16 to 32 pages. Copies are also made available at every Council office, libraries, leisure centres and schools. The 2008 Place Survey results show that monthly readership has increased from 27% to 63%, achieving by far the largest audience increase of any local media, and that it is viewed by residents as one of the most credible of all local media sources.

- Marketing and Communications Strategy

The Council has a Market and Communications Strategy 2007-11. This sets out a clear plan for improving communications and engagement with communities, aiming to focus communications through a range of channels in order that the Council builds lasting and successful relationships with all parts of the local area. The strategy is reviewed on a regular basis by a cross-Council Communications Group, which ensures that the communications efforts of the Council remain focused.

3.14 Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships (*Governing Partnerships: Bridging the Accountability Gap, Audit Commission, 2005*), and reflecting these in the Council's overall governance arrangements.

- North Somerset Partnership

North Somerset Council is a key partner in the North Somerset Partnership, which is the Local Strategic Partnership for the area and brings together representatives from the public, business, voluntary and community sectors in the local authority area.

The Governance arrangements for the Partnership were reviewed in some detail during 2008, to ensure that the Partnership was appropriately placed to deliver the vision set out in the Sustainable Community Strategy. As a result, the Board was reduced from 20 to 14 places, a new Executive was formed, and the number of delivery partnerships was reduced from 10 to 4. A new partnership Handbook has been agreed, setting out in some detail roles and responsibilities. This is supported by a new performance management framework, which makes clear the responsibility of each Delivery Partnership.

Annual Governance Statement

- West of England Partnership

The West of England Partnership was set up in 2004 comprising the four unitary authorities, Bristol, Bath and North East Somerset, North Somerset and South Gloucestershire and other social, economic and environmental partners.

It has played a key role in enabling liaison and cooperation between the partners to assist the area to realise its full potential particularly in relation to economic development, transport and strategic planning. However, the role of the Partnership is becoming increasingly important in negotiations with Government departments and agencies to secure funding for infrastructure projects and to meet the Government's expectations for sub regional working in relation to transport and waste management.

- Children's Trust Management Board (CTMB)

The CTMB is made up of the main statutory and non-statutory agencies responsible for children and young people's services within North Somerset.

Arrangements by way of formal Terms of Reference clarifying decision making arrangements have been in place for two years.

There is good representation and clear alignment on priorities by agencies, supported by an external chairing arrangement.

The Trust arrangements are recognised by the Government Office of the South West as a strength.

- Strategic Schools Forum (SSF)

The Strategic Schools Forum is an extremely robust partnership arrangement with schools and other providers that has been in place for a number of years.

The funding under the control of the SSF (in excess of £110m) represents more than half of the total funding available to support children and young people in the North Somerset area and there is clear alignment between the priorities of the Children's Trust Management Board and use of Strategic Schools Forum resources.

The SSF is highly rated by schools through the Audit Commission survey (rated as one of the Top 10 in the country) and is recognised by the Government Office of the South West as best practice.

- Responsible Authorities Group (RAG)

The Chief Executive Officer is part of the Responsible Authorities Group, a statutory group identified from the 1998 Crime and Disorder Act.

The Responsible Authorities Group comprises of the Chief Executive Officer or equivalent of the Police and Police Authority, Primary Care Trust, Fire and Rescue Service, Probation and Local Authority.

The Executive Member with responsibility for Community Services, and Transport also attends the Responsible Authorities Group.

Annual Governance Statement

4. Review of Effectiveness

4.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control and arrangements for the management of risk.

4.2 The review is informed by the work of the internal auditors (Head of Audit, Risk and Information's Annual Assurance Report) and the executive managers within the Council who have responsibility for the development and maintenance of the governance and internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

- Processes for Maintenance and Review of the Effectiveness of the Governance Framework

This Annual Governance Statement outlines the framework for Corporate Governance.

This Annual Governance Statement is incorporated into the Annual Financial Statements which are reported to Council and signed by the Chairman of the Council.

The Executive approves the Local Code of Corporate Governance, every two years.

The Audit Committee review and approve this Annual Governance Statement prior to certification by the Chief Executive Officer and Leader of the Council. Matters arising from the Annual Governance Statement may be referred to Policy & Scrutiny Panels by the Audit Committee or Council.

The Standards Committee review the Local Code of Corporate Governance, which underlies this Annual Governance Statement, before referring it to the Executive for approval.

The Chief Financial Officer chairs the Finance Standards and Strategy Group which is the Council's designated Corporate Governance Group, on behalf of the Audit Committee. This group evaluates and reviews this Annual Governance Statement, and supporting evidence and assurances, before recommending it to the Audit Committee for approval.

4.3 Internal Audit - Audit, Risk and Information Service

- The Council's Audit Charter was revised and agreed by the Audit Committee in September 2009. This sets out the responsibilities of the Audit, Risk and Information Service and reinforces the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.
- The Head of Audit, Risk and Information produces a Risk Based Internal Audit Plan based on an annual basis. The plan encompasses all the main financial and operational systems of the Council. The frequency and degree of coverage applied to each element of the plan has been determined by a comprehensive risk assessment and discussions with each Director.
- The Council's Annual Internal Audit Plan is agreed with Directors and approved annually by the Audit Committee and referred to the Executive. This provides the basis for the review of the governance framework, including the system of internal control, within the Council. Achievement of the plan is monitored by the Director of Finance & Resources and the Audit Committee, to whom the Head of Audit, Risk and Information reports on a quarterly and annual basis on findings during the year. For 2009/10, 94% of core system reviews were completed with 86% of the revised overall plan completed.

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- The Head of Audit, Risk and Information provides an annual assurance report to the Audit Committee (referred to the Executive and the Standards Committee) which provides assurance about the system of internal control throughout the Council. The report for 2009/10 was submitted to the Audit Committee on 25th May 2010. This report provides an overall opinion on all of the Council's core financial systems and also provides for exception reporting of any serious weaknesses in internal control identified through the annual audit coverage.
- A separate follow-up review of the issues identified from the 2008/09 Core systems audit recommendations was completed. It focused on the controls previously considered to have failed to meet the stated control objective in a way that had an adverse impact on the integrity of the Council systems. During 2009/10, the core systems have maintained an overall opinion rating of satisfactory, with the exception of the Council's debtors controls, which were identified as weak.
- Whilst the Audit, Risk and Information Service are unable to give absolute assurance, the results of the reviews completed during 2009/10 have resulted in an overall opinion that:
 - Systems and internal control arrangements continue to be effective and ensure that the Council achieves its corporate priorities and uses its resources economically, efficiently and effectively;
 - Accounting arrangements are sound;
 - Agreed policies, regulations and Standing Orders are complied with;
 - Managers throughout the Council are aware of the importance of maintaining adequate and effective governance, internal control and risk management arrangements and the recommendations made by the Audit, Risk and Information Service are accepted as practical and a valuable contribution to the continued operation of those systems. Instances where implementation of recommendations is not achieved by the dates agreed are brought to the attention of the appropriate Director;
 - Appropriate arrangements are operated to deter and detect fraud.
- One significant internal control issue has been identified in 2009-10 from the work of the Audit, Risk and Information Service and is included in section 6 of this statement.

4.4 Other Explicit Review/Assurance Mechanisms

Finance Standards & Strategy Group

- The Finance Standards & Strategy Group act as the "Designated Corporate Governance Group" on behalf of the Audit Committee responsible for carrying out an independent review of the statement and evaluating supporting evidence and assurances.
- During production of the statement, it was referred to the Finance Standards & Strategy Group during March, April and May 2010.

Annual Governance Statement

Business Improvement Programme Delivery Group

- The Business Improvement Team assists Directorates to improve performance, reduce costs and achieve better customer focus by making changes to the way that services are delivered.

4.5 External Audit and Inspection

- The Council is regularly inspected by the Audit Commission and other inspectorates such as Ofsted and the Care Quality Commission to provide a picture of how it is performing. For 2009/10, the results of all these assessments are collated in a Comprehensive Area Assessment (CAA), carried out by the Audit Commission, which looks across Council's, health bodies, police forces, fire and rescue services and others responsible for local public services, to see what it is like to live in North Somerset.
- On 15th December 2009, the Audit Commission reported the outcome of its Organisational Effectiveness Assessment to the Executive which concluded that the Council was "performing well", awarding them three out of a possible four for managing performance and use of resources.
- The External Auditors, the Audit Commission, report formally to the Council in an Annual Audit Letter, which for 2008/09, was presented to the Executive on 15th December 2009. This report identified:
 - The overall score for the use of resources assessment was three out of four. In all of areas of reviewed, the Council performed well.
 - An unqualified audit opinion was issued on the 2008/09 financial statements.
 - The arrangements for achieving value for money were satisfactory. The Council met all of the value for money criteria.
- Improvements were identified in the areas of monitoring energy saving and carbon reduction initiatives, but these do not represent governance or control issues. The resulting Action Plan will be monitored by the Corporate Management Team to ensure that recommendations to improve existing arrangements are implemented.

4.6 Annual Review of the Council's Corporate Governance Arrangements

- The Audit, Risk and Information Service carry out an annual review of the Council's Corporate Governance arrangements which includes their compliance with the six principles of the Local Code of Corporate Governance (referred to above), and the following specific focus areas:
 - risk management;
 - internal control;
 - standards of conduct;
 - roles and responsibilities of Officers and Members;
 - service delivery arrangements; and
 - community focus.
- The annual review for 2009/10 confirmed that the Council's Corporate Governance arrangements were satisfactory. There were no significant issues identified and the six principles of the Local Code of Corporate Governance were being complied with.

4.7 Performance Management Framework

- A review of the arrangements for a sample of the Council's Key Performance Indicators confirmed that the procedures in place are of a satisfactory standard.

Annual Governance Statement

- 4.8 Risk Management Arrangements
- An independent review of the Council's Risk Management arrangements by PriceWaterhouseCoopers confirmed that the procedures within the Council operate to a satisfactory standard.
- 4.9 The publication of the Statement represents the end result of the review of the effectiveness of the governance framework, including the system of internal control and the process of risk management that should be embedded throughout the activities of the Council.
- 4.10 The Audit Committee approved the framework for the production of the Annual Governance Statement on 16th March 2010 and reviewed and approved the Statement on 25th May 2010.
- 4.11 The following senior managers completed an Annual Assurance Statement on the governance, internal control, risk management and information governance arrangements within their Directorate and areas of management responsibility:
- Chief Executive Officer
 - Directors
 - Head of Legal & Democratic Services (Acting Solicitor to the Council)
 - Head of Performance Improvement and Human Resources
 - Strategic Policy Development Manager
- Any significant issues identified in the Annual Assurance Statements are detailed in section 5 & 6 of this Statement.
- 4.12 The Annual Governance Statement 2009/10 was reviewed by the Corporate Management Team on 16th June 2010.

Annual Governance Statement

5. Annual Governance Statement for 2008-09 - Update on Significant Issues during 2009/10

Control Issue in 2008/09	Update for 2009/10
5.1 ICT Management – Resources Management System	
<p>Improvements were required to ensure the completeness and accuracy of the ICT equipment recorded on the Resources Management System (RMS).</p> <p><i>Asset Discovery solution installed (Centennial) late in the year and, therefore, work to progress a comprehensive and accurate ICT Asset Register now planned for 2009/10.</i></p>	<p>The Head of ICT reported to the Audit Committee in March 2010 that an inventory covering 95% of hardware, software and licences was completed. The value of all assets was assessed. Currently assets included 1,799 PCs and 795 laptop computers. He further reported that the currency of the Inventory would be maintained. Missing inventory items would be followed up.</p> <p>No longer considered a significant control issue.</p>
5.2 Business Continuity	
<p>Improvements were required to revise the business continuity process and management framework to ensure that the Council has adequate and effective business continuity arrangements in place.</p> <p><i>Good progress made in 2008/09, but Business Continuity Plans and resilience arrangements not fully tested within the year. Resilience Centre at Scotch Horn established in April 2009.</i></p>	<p>An internal audit review of the Council's Business Continuity arrangements, completed in May 2010, concluded that they would be inadequate for ensuring the continuity of the business or its critical services and functions in the event of a major incident.</p> <p>Remains a 2009/10 significant control issue as not resolved during the year.</p>
5.3 Property Governance and Compliance (Significantly Schools)	
<p>Improvements were required to strengthen the Council's premises management and maintenance arrangements, particularly in relation to the School estate.</p> <p><i>Good progress was made in 2008/09, but compliance contracts and training to be delivered early in 2009/10.</i></p>	<p>The compliance contract covering all statutory testing commenced on 1st October 2009 and the asbestos management contract commenced on 1st September 2009.</p> <p>Training of those responsible for the management of individual premises (including School Governing Bodies) was completed in May 2010.</p> <p>No longer considered a significant control issue.</p>

Annual Governance Statement

Control Issue in 2008/09	Update for 2009/10
<p>5.4 Contract Management</p>	
<p>Significant internal control issues have been identified in respect of contract management within Grounds and Highway Maintenance. The issues were identified through two reviews carried out in 2008/09.</p> <p>The reviews identified a number of material concerns over the effectiveness of contract management controls and retained documentation; systematic management checks and documented procedures.</p> <p><i>Mitigating Actions for 2009/10:</i></p> <p><i>Internal control issues identified by Internal Audit are being addressed by Senior Management.</i></p> <p><i>Senior Management to determine an Action Plan in June 2009 to address the issues raised for implementation within 2009/10.</i></p>	<p>All the recommendations made in the 2008/09 internal audit review of Grounds Maintenance contract management were implemented during 2009/10.</p> <p>An internal audit review of Highways Maintenance contract management was completed in October 2009 and concluded that procedures have been poorly administered and, therefore, from the sample examined, it was only possible to provide limited assurance that Highways Maintenance expenditure was appropriately controlled. Notwithstanding this point, there was no clear evidence of systematic or significant overcharging on schemes. The matter was brought to the attention of the Director of Development and Environment in April 2009 and management action has been taken to address the issues identified in respect of the internal controls.</p> <p>An internal audit review of the Council's Street Cleansing and Public Conveniences contract management arrangements, completed in November 2009, concluded that management and control of the contract was administered to a weak standard.</p> <p>The 2010/11 Internal Audit Plan focuses on contract management.</p> <p>Whilst the contract management issues were not completely resolved during the year, this is no longer considered a significant control issue.</p>

Annual Governance Statement

Control Issue in 2008/09	Update for 2009/10
5.5 West of England Partnership (WEP)	
<p>Significant internal control and governance issues have been identified through a review commissioned by B&NES into the projects and systems operated by the WEP. The report identifies a number of material concerns over:</p> <ul style="list-style-type: none"> (a) the level of resourcing (b) the robustness of project management (c) clarity of roles and responsibilities (d) the effectiveness of financial management <p>This report was provided to the Council on 19th May 2009.</p> <p><i>Mitigating Actions for 2009/10:</i></p> <p><i>Co-ordinate and agree an action plan with the WEP to address the shortcomings identified specifically:</i></p> <ul style="list-style-type: none"> (a) <i>Implement increased capacity within the partnership office</i> (b) <i>Complete MAA</i> (c) <i>Introduce a consistent framework for project, performance, risk and financial management.</i> 	<p>An Audit Commission/Grant Thornton external audit review of West of England Partnership Governance Arrangements was completed in December 2009 and concluded:</p> <ul style="list-style-type: none"> • The accountability and governance arrangements of the WEP are clear and effective but need to develop further to manage its complex strategies and high value projects. • Although performance and risk management arrangements are sound at the level of individual projects, these are not well developed at joint strategic level. Now that the Partnership is established it now needs a structured approach to determine those projects best delivered through the Partnership as opposed to other joint working arrangements. In addition the review and challenge process of the Partnership and its projects needs to be clearly set out to ensure that the Joint Scrutiny Committee understands its scrutiny role without being drawn into the management of projects itself. Strengthening these governance arrangements will help to provide reassurance that value for money is delivered on the increasingly more complex and high value projects being managed by the Partnership. <p>No longer considered a significant control issue.</p>

Annual Governance Statement

6. Significant Governance, Internal Control and Risk Management Issues for 2009-10

Control Issue in 2009/10	Mitigating Actions for 2010/11
6.1 Freedom of Information Act (FOIA) and Data Protection Act (DPA)	
<p>The review of FOIA and DPA Information Requests identified that the Council's current performance in responding to requests under both regimes is poor. The FOIA gives anyone the right to request information within 20 working days unless it is exempt, or the cost of compliance exceeds the statutory fees limits. Approximately 50% of the FOIA requests in 2008 and 2009 exceeded the statutory permitted time and the pattern continues in 2010.</p> <p>The DPA gives anyone the right to request information about themselves from the Council (Subject Access Request or SAR) and to be given the information with 40 calendar days unless it is exempt, or the cost of compliance exceeds the statutory fees limits. 71% of SARS exceeded the statutory deadline and approximately 50% were more than twice the statutory deadline.</p>	<p>The Information Governance Group is compiling an action plan to address the Council's performance in this area, which will be reported to the Corporate Management Team and Audit Committee.</p> <p>The action plan will have two clear objectives:</p> <ul style="list-style-type: none"> • to provide Assurance to Corporate Management Team and the Audit Committee sufficient to permit its removal from this Annual Governance Statement; and • to comply fully and be able to demonstrate compliance with the FOIA, DPA and EIRs. <p>The significant risks this poses to the Council's objectives are:</p> <ul style="list-style-type: none"> • customer service failure; • the Council's reputation; • DPA fines of up to £500,000 • ICO intervention.

Annual Governance Statement

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

We propose to take appropriate steps during the 2010/11 year to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:



Cllr. Nigel Ashton, Leader of the Council

Signed:



Graham Turner, Chief Executive Officer

Date:

29 June 2010

Independent Auditors Report

Independent auditor's report to the Members of North Somerset Council

Opinion on the accounting statements

I have audited the Authority accounting statements and related notes of North Somerset Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the 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 North Somerset 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 Director of Finance and Resources and auditor

The Director of Finance and Resource's 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 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.

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 accounting statements, and consider whether it is consistent with the audited 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 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 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 accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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 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 accounting statements and related notes.

Independent Auditors Report

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.

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, North Somerset 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.

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

29 September 2010

Income and Expenditure Account for the year ended 31 March 2010

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

2008/09 <i>Restated</i> Net Cost £000	Note	2009/10 Gross Expenditure £000	2009/10 Gross Income £000	Net Cost £000
60,054		75,592	(20,415)	55,177
(715)		121,409	(121,003)	406
48,713		75,603	(28,726)	46,877
12,188		112,431	(100,630)	11,801
55,598		86,113	(28,806)	57,307
	5	471,148	(299,580)	171,568
Exceptional Items				
(75)		187	(329)	(142)
(993)		0	(650)	(650)
(109)		0	0	0
Non Directorate Items				
493		408	0	408
24		22	0	22
230		235	0	235
326		350	0	350
366		417	0	417
17		0	0	0
1,949		431	(92)	339
178,066		473,198	(300,651)	172,547
(1,177)				(1,476)
3,287				3,301
190	6			250
6,254				7,554
(7,751)				(3,218)
8,589	34			11,967
(48)				(44)
36				33
187,446				190,914
(86,759)				(89,088)
(1,141)				(1,417)
(136)				(195)
(10,595)	4			(11,058)
(5,929)				(9,423)
(42,588)				(40,827)
40,298				38,906

The 2008/09 deficit for the year has been reduced by £1.132m to implement the changes required by the SORP 2009 in relation to the Collection Fund, as highlighted on page 2.

There have been no acquired or discontinued operations during 2009/10.

Statement of Movement on the General Fund Balance for the year ended 31 March 2010

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, North Somerset Council is required to raise council tax on a different basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when 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 is raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

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

2008/09 £000	2009/10 £000
40,298 (Surplus) / Deficit for the year on the Income & Expenditure Account	38,906
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the (41,587) year. (see page 48 for further detail)	(36,355)
(1,289) (Increase) / Decrease in the General Fund Balance for the year	2,551
(8,702) General Fund Balance brought forward	(9,991)
(9,991) General Fund Balance carried forward	(7,440)
Amount of General Fund Balances generally available for new expenditure: (9,991) (Balance Sheet, page 43 and Reserves, page 79)	(7,440)
(9,991)	(7,440)

The Balance on the General Fund is available for new expenditure - the amounts relating to balances held by governors under schemes to finance schools are accounted for as earmarked reserves and not included in the General Fund Balance. However, readers should note the commentary included within the explanatory foreword (page 3), which highlights the need for the Council to maintain an optimum level of reserves to protect itself against expenditure variations or unknown work.

The 2008/09 deficit from the Income and Expenditure Accounts for the year has been reduced by £1.132m to implement the changes required by the SORP 2009 in relation to the Collection Fund.

Statement of Total Recognised Gains and Losses for the year ended 31 March 2010

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 surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

2008/09 £000	2009/10 £000
40,298 (Surplus) / Deficit for the year on the Income & Expenditure Account	38,906
(349,856) (Surplus) / Deficit arising on revaluation of fixed assets	(7,444)
(Surplus) / Deficit arising on revaluation of available-for-sale financial (77) assets	77
(21,951) Actuarial (gains) / losses on pension fund assets and liabilities	46,622
<u>(331,586)</u> Total Recognised (Gains) / Losses for the year	<u>78,161</u>

Following the changes required in accounting for the Collection Fund, as highlighted on page 2, the effect of the prior year adjustments means that the deficit for the year on the Income and Expenditure Account has been reduced by £1.132m to compensate for the removal of the surplus on the Collection Fund. The total balance on the STRGL has not changed but the figures within the statement have been amended in line with the SORP 2009.

The balance of £78.161m on the Statement of Total Recognised Gains and Losses (STRGL) represents the movement between the balance of net worth shown on the balance sheet on page 43 and 44.

Opening Balance	£ 347,339
Closing Balance	269,178
Total recognised (gain) / loss for year	<u>78,161</u>

Balance Sheet as at 31st March 2010

31 March 2009 £000	Note	31 March 2010	
		£000	£000
Tangible Fixed Assets			
<u>Operational Assets:</u>			
579,645		605,595	
7,959		9,261	
34,252		47,886	
2,573		3,248	
624,429			665,990
<u>Non-Operational Assets:</u>			
5,154		4,762	
20,079		7,602	
4,133		4,000	
29,366			16,364
682,354	18		682,354
Total Fixed Assets			
11,552	23		6,666
	24		
361		317	
948		944	
12,861			1,261
690,281			690,281
Total Long Term Assets			
Current Assets			
68	26	91	
20,127	27	24,813	
3,994		238	
2,255		7,081	
103,061	25	90,180	
129,505			122,403
Current Liabilities			
(50,692)	28	(49,655)	
(561)	25	(563)	
(3,000)	25	(7,000)	
(5,998)		0	
(1,512)	37	(3,162)	
(14,527)		(27,447)	
(125)		(509)	
(76,415)			(88,336)
34,067			34,067
Net Current Assets			
Long Term Liabilities			
(109,668)	25	(107,329)	
(19,996)	29	(19,196)	
(144,089)	34	(196,069)	
(3,816)	32	(2,775)	
(94,466)		(129,471)	
(372)		(330)	
(372,407)			(455,170)
(455,170)			(455,170)
Total Long Term Liabilities			
347,339			269,178
TOTAL ASSETS LESS LIABILITIES			269,178

Balance Sheet as at 31 March 2010 continued

31 March 2009 £000		Note	31 March 2010		£000
			£000	£000	£000
Financed by:					
107,082	Capital Adjustment Account	33.2		96,719	
336,781	Revaluation Reserve	33.3		325,796	
85	Available-for Sale Financial Instruments Reserve	33.4		9	
(442)	Financial Instruments Adjustment Account	33.5		(1,464)	
(144,089)	Pensions Reserve	34		(196,069)	
299,417					224,991
Reserves and Balances					
9,991	General Fund			7,440	
968	Collection Fund Adjustment Account			1,420	
5,651	LMS School Balances	35		5,775	
1,584	Dedicated Schools Grant	36		1,054	
10,117	Earmarked Revenue Reserves	33.8		11,162	
15,477	Useable Capital Receipts	33.6		13,536	
4,134	Other Capital Reserves	33.9		3,800	
47,922					44,187
347,339					269,178

Cash Flow Statement for the year ended 31 March 2010

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. It has been prepared using the indirect method. The figures shown in this statement may be different to the ones quoted in the other financial statements where figures are shown on an accruals basis.

2008/09 £000	Note	2009/10	
		£000	£000
16,135	40.1		1,398
Net Cash Inflow / (Outflow) from Operating Activities			
Returns on Investment and Servicing of Finance			
<i>Cash Outflows</i>			
(6,260)			(7,263)
- Interest Paid			
<i>Cash Inflows</i>			
7,541			4,572
- Interest Received			
Net Cash Inflow / (Outflow) from Returns on Investments & Servicing of Finance			(2,691)
Capital Activities			
<i>Cash Outflows</i>			
(49,196)		(63,448)	
- Purchase of Fixed Assets			
(4,000)		(4,401)	
- Purchase of Long Term Investments			
(1,582)		(3,691)	
- Other Capital Cash Payments			
			(71,540)
<i>Cash Inflows</i>			
2,918		2,594	
- Sale of Fixed Assets			
30,218		53,018	
- Capital Grants Received			
0		2,883	
- Other Capital Cash Receipts			
			58,495
Net Cash Inflow / (Outflow) from Capital Activities			(13,045)
(4,226)			(14,338)
Net Cash Inflow / (Outflow) before Financing			
Management of Liquid Resources			
8,253		20,510	
- Net (Increase) / Decrease in Short Term Deposits & Liquid Resources			
		(4,793)	
- Net (Increase) / Decrease in Collection Fund Debtors & Creditors *			
Net Cash Inflow / (Outflow) from Management of Liquid Resources			15,717
Financing			
<i>Cash Outflows</i>			
(3,849)			(17,841)
- Repayments of Amounts Borrowed			
<i>Cash Inflows</i>			
0		18,700	
- New Loans Raised			
0		4	
- New Short Term Loans Raised			
Net Cash Inflow / (Outflow) from Financing			863
178			2,242
Net Increase / (Decrease) in Cash			2,242

* As explained in the Changes in Accounting Practice on page 2, this is a significant change, for which the 2008/09 comparator will be included in the overall movement on debtor and creditors as in Note 40.1 on page 89.

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Notes to the Core Financial Statements

1. Reconciling Items for the Statement of Movement on General Fund Balance

The Income and Expenditure Account shows North Somerset Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last 12 months.

However, the Council 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 shows whether North Somerset Council has over or under spent 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.

The following table reconciles the difference between the outturn on the Income and Expenditure Account and the movement on the General Fund Balance.

2008/09 £000		2009/10 £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	
(45,953)	Depreciation and impairment of fixed assets	(41,215)
(442)	Deferment and impairment of financial instruments	(1,021)
6,672	Amortisation of deferred government grants	5,908
(6,717)	Write down of revenue expenditure funded by capital under statute to be financed from capital resources	(3,691)
1,177	Net (loss)/profit on sale of fixed assets	1,476
(19,756)	Net charges made for retirement benefits in accordance with FRS17	(20,576)
(65,019)		(59,119)
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the movement on the General Fund Balance for the year	
4,764	Minimum revenue provision for capital financing	4,670
48	Transfer to / (from) Useable Capital Receipts	0
1,626	Capital Expenditure in year charged to revenue	1,234
1,132	Transfer to / (from) Collection Fund Reserve	452
13,806	Employer's contributions payable to the Avon Pension Fund and retirement benefits payable direct to pensioners	15,217
21,376		21,573
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement on the General Fund Balance for the year	
257	Voluntary revenue provision for capital financing	617
772	Use of general reserves	0
416	Use of earmarked reserves	979
(104)	Use of earmarked reserves - LMS School Balances	124
715	Use of earmarked reserves - Dedicated Schools Grant	(529)
2,056		1,191
(41,587)	Net additional amount required to be credited to the General Fund Balance for the year	(36,355)

Notes to the Core Financial Statements

2. Discontinued Operations

There were no discontinued operations in 2009/10 that require separate or additional reporting within the accounts.

3. Overheads and Support Service Costs

The cost of the Council's support services recharged to service accounts in the year are shown in the table below. The increase is due largely to changes in departmental structures which occurred during the year.

	<i>2008/09</i> £000	<i>2009/10</i> £000
Financial Services	2,482	2,652
Legal Services	1,514	1,461
Personnel Services	1,427	1,481
Information Technology	3,247	3,513
Corporate Administration	1,319	1,734
Property Related Services	955	984
Internal Insurance Premiums	2,445	2,413
Central Expenses (postages, photocopiers, telephones, etc.)	440	452
Recruitment & Retention	52	54
Central Office Accommodation	2,572	2,336
Total Support Service Recharges	16,453	17,080

4. Area Based Grant

From 2008/09 the Area Based Grant (ABG) replaced Local Area Agreement grant as an additional government grant. This is a non ring-fenced grant with no conditions on how it is used. The ABG replaced a substantial number of separate grant streams which were previously credited to the relevant service account.

During the year, the Council received £11.058m which was allocated to the following service areas to finance associated expenditure.

	<i>2008/09</i> £000	<i>2009/10</i> £000
Development & Environment	1,315	1,248
Adult Social Services	5,162	5,145
Children and Young People Services	4,118	4,565
Other Priorities	0	100
Total Area Based Grant	10,595	11,058

Notes to the Core Financial Statements

5. BVACOP Service Expenditure Analysis

The 2006 SORP introduced a concession that authorities may use a locally determined service expenditure analysis in presenting the Net Cost of Services on the Income & Expenditure Account. The following table annotates the Council's Net Directorate Expenditure from that shown on the face of the Income & Expenditure Account to the mandatory divisions of services as detailed in the BVACOP.

	<i>Central Services to the Public</i> £000	<i>Cultural, Environmental & Planning Services</i> £000	<i>Children's & Education Services</i> £000	<i>Adult Social Care</i> £000	<i>Highways, Roads & Transport Services</i> £000	<i>Housing Services (General Fund)</i> £000	<i>Corporate & Democratic Core</i> £000	<i>Non Distributed Costs</i> £000	<i>Total</i> £000
<u>Directorates</u>									
Children & Young People Services	0	0	55,027	0	0	0	0	150	55,177
Dedicated Schools Budget	0	0	406	0	0	0	0	0	406
Development & Environment	0	31,430	73	0	15,374	0	0	0	46,877
Adult Social Services & Housing	0	0	0	54,070	0	3,237	0	0	57,307
Finance & Resources and Corporate Services Unit	2,104	59	0	397	0	945	5,098	3,198	11,801
Net Directorate Expenditure	2,104	31,489	55,506	54,467	15,374	4,182	5,098	3,348	171,568

Notes to the Core Financial Statements

6. Trading Undertakings and Internal Services

During the year the Council has operated a number of trading accounts, the details of which are shown below:-

6.1 Contract Services

The Council looks to ensure that these services, previously defined activities under the Local Government Planning and Land Act 1980 and the Local Government Act 1988, achieve a break-even position in the year after meeting statutory capital and FRS17 charges. The table below demonstrates that this was not achieved in 2009/10. As at December 2009 the transport function was closed, and the deficit in the year can, in the main, be attributed to one-off termination costs.

2008/2009 Surplus / (Deficit) £000	2009/2010		Surplus / (Deficit) £000
Activities	Income £000	Expenditure £000	£000
41 Grounds	807	(709)	98
(143) Transport	1,802	(2,177)	(375)
(102)	2,609	(2,886)	(277)
Contract Services - Notional Reserve			
0 Balance at 1 April 2009			0
(102) Surplus / (Deficit) for Year			(277)
118 Depreciation			291
(16) FRS17 Adjustment			(55)
0 Contribution from / (to) General Fund			41
0 Balance at 31 March 2010			0

6.2 Other Trading Accounts

2008/2009 Surplus / (Deficit) £000	2009/2010		Surplus / (Deficit) £000
Activities	Income £000	Expenditure £000	£000
(42) Education related	3,746	(3,719)	27
(46) Legal Services	0	0	0
(88)	3,746	(3,719)	27

Legislation

Legislation surrounding these trading accounts only applied until January 2000. For the financial year 2009/10, Legal Services ceased to trade on this basis and any trading surpluses are now used to offset budget pressures and not carried forward. However, the Council has decided to continue trading accounts for certain Education related services and for the Contract Services Grounds function.

Break Even

Each activity is required by the Council to break-even.

Notes to the Core Financial Statements

Income & Expenditure Account

The £27,000 surplus shown above is combined with the Contract Services trading deficit of £277,000 to give a total net deficit of £250,000 shown on the Income & Expenditure Account (page 40) within the line "Surplus / Deficit on Trading Undertakings & Internal Services not included in Net Cost of Services".

7. Agency Income and Expenditure

Under various statutory powers, an authority may agree with other local authorities to carry out work on their behalf. The authority carrying out agency services is reimbursed by the responsible body to the extent of approved expenditure together with any agreed contribution towards administrative costs.

The Council was not involved in any significant agency activities during the financial year.

8. Schemes under the Transport Act 2000

No schemes under the Transport Act 2000 (e.g. road charging) were undertaken by the Council during 2009/10.

9. Health Act 1999 Pooled Funds

Section 75 of the Health Act 2006, the NHS Bodies and the Local Authorities Partnership Arrangements Regulations 2000, enable the establishment of joint working arrangements between NHS bodies and local authorities.

During 2009/10 the Council extended its agreement with North Somerset Primary Care Trust for the provision of a range of services to persons with learning disabilities pending decisions on a funding transfer following national Valuing People Now guidance. The gross expenditure on these services was £6,927,180 (£7,051,761 in 2008/09) of which £1,670,690 (£1,743,254 in 2008/09) was provided by the Council. The remaining sum of £5,256,490 (£5,308,507 in 2008/09) was provided by the Primary Care Trust.

An agreement with North Somerset Primary Care Trust also exists for the provision of an Integrated Community Equipment Service. The gross expenditure on this service was £1,431,892 of which £552,226 was provided by the Council. The remaining sum of £879,666 was provided by the Primary Care Trust.

Notes to the Core Financial Statements

10. Local Area Agreement

The Council is a participant in a Local Area Agreement (LAA) – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. The North Somerset Local Area Agreement (LAA) 2008-2011 was developed by the North Somerset Partnership (NSP) and signed off in July 2008. The Partnership, made up of representatives from the public, private, voluntary and community sectors, led development of the LAA and is now responsible for monitoring its progress.

The purpose of the LAA is:

- to form an agreement between the North Somerset Local Strategic Partnership, Government (represented by Government Office South West), and other external agencies, to ensure the achievement of the 2025 vision in the North Somerset Community Strategy
- to agree specific outcomes and targets that will be achieved each year for the three years of the agreement
- to benefit from greater financial resources through the pump priming grant and performance reward grant
- to enhance services and service delivery through improved joint working arrangements.

The LAA partners are:

- Public Sector – Avon & Somerset Constabulary, Avon Local Council Association (North Somerset), Environment Agency, JobCentre Plus, North Somerset Council, North Somerset Primary Care Trust, Weston College
- Business Sector – Bristol International Airport, Business Link (North Somerset), North Somerset Industrial Association, North Somerset Initiative
- Voluntary & Community Sector – Avon Youth Association, Citizens Advice Bureau, Community Action, TENONS (The Environmental Network of North Somerset), North Somerset Housing, Voluntary Action North Somerset, Weston Churches Together

North Somerset Council acts as the accountable body for the LAA. This means we are responsible for managing the distribution of grant paid by the Government Office to the partners involved, but the Council does not determine which bodies are due payments – this is determined by the partnership. In this context, the Council acts as an agent to the partnership and has therefore not recognised the full amount of LAA grant in the Income and Expenditure Account, but only that part to be spent by the Council in providing services. However, the full grant as received by the Council is included within the Cash Flow Statement. The total amount of LAA Grant received by the LSP in 2009/10 is £0.315m. The Council received £0.205m of this total to fund its own services.

As the accountable body, the Council is potentially responsible for repaying to the Government any element of grant that is found to have been misused by its partners. Systems are in place for distributing grant that are designed to limit the possibility that this will happen. It has not been necessary to recognise any contingent liabilities for possible repayments and no provisions have been made for any such eventuality.

In total there are 65 indicators; these are split into themes (blocks) which are aligned with the North Somerset Partnerships' Sustainable Community Strategy;

- Health and Wellbeing
- Children and Young People
- Economic Development and Environment
- Safer and Stronger

These 65 indicators are a combination of the following;

- Indicators carried over from the now defunct 2007-2010 LAA which were 'stretched' to achieve improved performance and could attract over £3.5m of performance reward grant, subject to confirmation, conditions and wider funding implications.
- Indicators from the national indicator list which are classed as designated and will attract over a million pounds of performance reward grant.
- Indicators which are classed as local do not attract performance reward grant and are a combination of national indicators and local improvement indicators.
- Statutory DSCF indicators (educational targets).

Notes to the Core Financial Statements

11. Landfill Allowances Trading Scheme

The Landfill Allowances Trading Scheme (LATS) allocates tradable landfill allowances to each Waste Disposal Authority (WDA) in England up to a specified level set by DEFRA, known as the 'cap'. WDAs may use their allowances to meet the liabilities for actual landfill usage or sell them to another WDA. Authorities that use more landfill than their cap must purchase allowances from another authority to enable them to meet their liability, or pay a financial penalty to DEFRA if they fail to acquire sufficient allowances.

At the end of 2009/10, the Council had just under 590 spare permits available for use. However at the end of 2009/10 any surplus permits cannot be carried forward and given the excess number of permits across the country there is minimal opportunity to sell these permits at any value. Therefore the accounts have valued these excess permits and all activity in 2009/10 at nil value and therefore there are no carrying values within the accounts for this activity.

12. Minimum Revenue Provision

The legislation requiring English local authorities to set aside funds as a 'minimum revenue provision' (MRP) for the repayment of debt is the Local Authority (Capital Finance and Accounting) (England) Regulations 2003, which were issued under the Local Government Act 2003.

In 2007/08 the Department for Communities and Local Government (DCLG) introduced amending legislation which replaced the detailed statutory rules for the calculation of the MRP. The revised regulations state that:

'A local authority shall determine for the current financial year an amount of minimum revenue provision which is considered to be prudent.'

The aim of the new regulations ensures that the charge to the Council's revenue is spread over a period similar to the useful life of the assets being financed.

North Somerset Council approved a policy in accordance with the Regulations to ensure that any capital expenditure financed using unsupported borrowing, is charged to the Council's revenue accounts over the same useful life of the assets financed. This has resulted in an additional Voluntary Revenue Provision of £617k being charged in the 2009/10 financial year.

The 2009/10 Accounts also reflect the inclusion of the Council's share of the former Avon County Council loan debt. The outstanding debt brought forward at the beginning of the financial year was £19.996m, which has reduced to £19.196m at the end of the year after the 2009/10 MRP charge of £800k, as shown below.

	2008/09 £000	2009/10 £000
Minimum Revenue Provision	3,931	3,870
Avon Loan Debt Minimum Revenue Provision	833	800
	<u>4,764</u>	<u>4,670</u>
Voluntary Revenue Provision	257	617

Notes to the Core Financial Statements

13. Members' Allowances

The Council is required by the Accounts and Audit Regulations to disclose annually the amounts paid to each elected councillor (Member) under its scheme of Members' Allowances.

There are two types of allowance:

- **Basic Allowance** – payable to all Councillors.
- **Special Responsibility Allowance** – payable to certain Councillors to reflect significant additional responsibilities.

Councillor	Members Basic Allowance £	Special Responsibility Allowance £	Employers Pension Contribution £	Employers National Insurance £	Travel Expenses & Subsistence £	Total £
Ap Rees E D Mr	8,136	17,973	4,611	2,611	1,240	34,571
Ashton N C Mr	8,136	25,671		3,596	2,686	40,089
Baker F D Mrs	8,136	15,405		2,282	1,716	27,539
Barber A J Mrs	8,136	6,417		1,132	1,156	16,841
Barclay K M Mrs	8,136			310	183	8,629
Bateman R J Mr	8,136	2,055		573		10,764
Blades C J Mr	8,136			310	48	8,494
Blades E J Mrs	8,136			310		8,446
Blatchford J R Mr	8,136	15,405		2,282	2,602	28,425
Blatchford M M J Mrs	8,136	3,939		814	1,124	14,013
Bryant A P Mr	8,136	15,405	4,157	2,282	246	30,226
Cleland R F D Mr	8,136			310	139	8,585
Cole A N Mr	8,136	6,415	2,575	776	1,722	19,624
Collins W J Mr	8,136		1,440	192		9,768
Collinson T A Mr	8,136			310	170	8,616
Cook R Mr	8,136	5,136	2,344	968	1,037	17,621
Creasey S C Mrs	8,116			308		8,424
Edwards S T Mr	8,136			310		8,446
Francis-Pester C D Mr	8,136	15,405		2,282	2,646	28,469
Garner R M Mr	8,136	6,415		1,131	848	16,530
Gregor I Mr	8,136			310	1,051	9,497
Gregory A Miss	8,136			310	108	8,554
Hall C T Mr	8,136	4,625	2,259	613	290	15,923
Harley A F Mrs	8,136	6,417		1,132		15,685
Hayer G S Mr	8,136			310		8,446
Horler A J Mr	8,136	5,780		1,050	81	15,047
Howell C Mr	8,136			310		8,446
Iles J R J Mrs	8,136			310	1,013	9,459
Jolley D R Mr	8,136	637	1,553	299	305	10,930
Judd P J Mr	8,136			310		8,446
Keating E P Mr	8,136		1,437	192	156	9,921
Kellaway-Marriott M J Dr	8,136	5,134	2,341	967	394	16,972
Kemp T A Mrs	8,136	6,411		1,131	1,969	17,647
Kimitri C Mr	8,136			310		8,446
Kirschen N E Mrs	8,136	11,937		1,838	520	22,431
Knight R G Mrs	8,136			310	1,778	10,224
Lake A M Mr	6,768	10,146		1,434		18,348
Leimdorfer T C Mr	8,136			310		8,446
Marter T M Mr	8,136	4,625	2,259	613	678	16,311
McMurray A J Mr	8,136			310	286	8,732
Morris K G Mr	8,136	3,468		754		12,358
Moulin A J Mr	8,136			310	866	9,312
Norton-Sealey J E Mr	8,136		1,437	310	360	10,243
sub total c/forward	348,460	194,821	26,413	36,838	27,418	633,950

Notes to the Core Financial Statements

Councillor	Members Basic Allowance £	Special Responsibility Allowance £	Employers Pension Contribution £	Employers National Insurance £	Travel Expenses & Subsistence £	Total £
sub total b/forward	348,460	194,821	26,413	36,838	27,418	633,950
Parker I R Mr	8,136			310		8,446
Parry D Mrs	8,136			310		8,446
Pasley D G Mr	8,136			310	697	9,143
Patel A Mr	8,119			308		8,427
Payne D K Mrs	8,136			310		8,446
Pepperall M L Mrs	8,136		1,440	310	158	10,044
Pilgrim L J Mrs	6,768			135		6,903
Porter I Mr	8,136	761		408	279	9,584
Porter T A Mr	6,692		957	169	171	7,989
Roberts H A Mr	8,136	637		392	253	9,418
Shopland D W Mr	0					0
Stone D T Ms	8,136			310		8,446
Terry A G Mr	8,136			310		8,446
Vyce S Mr	8,136		1,440	192		9,768
Webb C H T Mr	8,136	6,417	2,576	776	84	17,989
Wells E A Mrs	8,136	7,447		1,264	864	17,711
Willis R Mrs	8,136			310	550	8,996
Yamanaka D J Mrs	8,136	2,565		639	303	11,643
Totals	483,943	212,649	32,826	43,601	30,777	803,796

Notes to the Core Financial Statements

14. Officers' Remuneration

14.1 Employee remuneration in excess of £50,000

As required by the Accounts and Audit Regulations 2003, the number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 are shown in the table below.

There has been a change in the way this table have been calculated since 2008/09, previously remuneration was declared as taxable pay and benefits, excluding employee pension, however in order to be consistent with the new reporting requirements remuneration is now total pay plus benefits. For the financial year 2008/09 the numbers have been restated.

The numbers below cover all Council activities, including the employment of teachers within schools.

<i>Remuneration Band</i>	<i>No. of Employees</i>	
	<i>2008/09</i>	<i>2009/10</i>
£50,000 - £54,999	57	82
£55,000 - £59,999	34	24
£60,000 - £64,999	16	26
£65,000 - £69,999	5	5
£70,000 - £74,999	10	12
£75,000 - £79,999	1	1
£80,000 - £84,999	4	5
£85,000 - £89,999	4	3
£90,000 - £94,999	1	0
£95,000 - £99,999	1	0
£100,000 - £104,999	3	3
£105,000 - £109,999	0	1
£110,000 - £114,999	0	0
£115,000 - £119,999	1	0
£120,000 - £124,999	0	0
£125,000 - £129,999	0	0
£130,000 - £134,999	0	0
£135,000 - £139,999	0	0
£140,000 - £144,999	1	1

14.2 Senior Officer Remuneration

The amended Regulations introduced a new requirement for 2009/10 to disclose individual remuneration details for senior employees, whose salary is £50,000 or more per year but less than £150,000 by way of job title. A senior employee is an employee whose salary is more than £150,000 per year, or one whose salary is at least £50,000 and who is:

- the designated head of paid service, a statutory chief officer or a non-statutory chief officer of a relevant body, as defined under the Local Government and Housing Act 1989.
- 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, in particular activities involving the expenditure of money, whether solely or collectively with other persons.

Notes to the Core Financial Statements

At North Somerset Council the disclosures relate to the Chief Executive Officer and those officers that form the Council's Corporate Management Team. Details are shown in the table below.

Post Title	Salary (including fees and allowances)	Expense Allowances	Total Remuneration excluding pension contributions 2009/10	Pension contributions	Total Remuneration including pension contributions 2009/10	Total Remuneration including pension contributions 2008/09
	£	£	£	£	£	£
Chief Executive	144,817	0	144,817	25,633	170,450	169,291
Director of Adult Social Services & Housing	103,865	0	103,865	18,435	122,300	121,367
Director of Development & Environment	103,865	0	103,865	18,435	122,300	121,367
Director of Finance & Resources (01/04/2009 to 18/10/2009)	56,958	0	56,958	10,132	67,090	121,367
Director of Finance & Resources & Acting Director of Children & Young Peoples Services (19/10/2009 to 31/03/2010)	51,230	0	51,230	9,040	60,270	0
Director of Children & Young Peoples Services (01/04/2009 to 02/10/2009)	70,219	28	70,247	12,487	82,734	139,098
Head of Performance and Human Resources	81,304	113	81,417	14,431	95,848	95,117
Solicitor to the Council (Left 31/03/2009)	0	0	0	0	0	99,064
Head of Legal & Democratic Services (start date 01/04/2009)	68,293	0	68,293	12,114	80,407	0
Strategic Policy Development Manager	62,403	0	62,403	11,075	73,478	71,192
	742,954	141	743,095	131,782	874,877	937,863

Notes to the Core Financial Statements

15. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

15.1 Central Government

Central Government has effective control over the general operations of the North Somerset Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and also prescribes the terms of many of the transactions that the Council has with other parties.

Details of the revenue grants from Government departments are set out in Note 5 to the Cash Flow Statement (Note 40.5, page 92).

In addition the Council has applied the following significant capital grants for the financing of capital expenditure during 2009/10:

<i>Awarding Body</i>	<i>Type of Grant</i>	<i>Amount £000</i>
Department for Children, Schools & Families	Building Schools for the Future	12,214
Department for Children, Schools & Families	Devolved Formula Grant	3,313
Department for Children, Schools & Families	Primary Capital Programme	2,682
Department for Children, Schools & Families	Modernisation & Condition	1,313
Communities & Local Government	Regional Housing Pot	837
Communities & Local Government	LPSA Performance Reward Grant	1,964
Environment Agency (previously DEFRA)	Sea Defences	9,805
Department for Transport	Local Transport Plan & Road Safety	1,459

As shown in the table above, grants were received from the Department for Children, Schools & Families, also known as the DCSF. Government departments are currently being reviewed with names and responsibilities amended. The DCSF has been renamed and is now called the Department for Education, or DfE.

15.2 Members and Chief Officers

Members of the Council have direct control over the Council's financial and operating policies. All Members, together with the Council's Directors, have signed a declaration detailing any relevant transactions entered into by them or close members of their family during the financial year.

The Director of Finance and Resources has been made aware of a number of issues, however none of these are considered to be significant and are therefore deemed not necessary to be reported within the accounts. Details of all interests are recorded in the Register of Members' Interest, open to public inspection.

15.3 Avon Pension Fund

The details of the payments made to the Council's Pension Fund are provided in Note 34, pages 84 - 88.

15.4 Other Public Bodies

Any significant transactions with such bodies (e.g. Parish Precepts) are disclosed elsewhere within this Statement of Accounts.

Notes to the Core Financial Statements

16. Severance Payments

16.1 Redundancy and compensation

An amount of £1,230,045 (£237,224 in 2008/09) was paid in respect of severance payments during the year. The large increase relates to significant service transition arrangements within Home Care. All payments are within the limits permitted by statute and the superannuation and compensation regulations, applicable at the time of the payment.

16.2 Pension Strain

During 2009/10, a sum of £465,347 was charged to revenue in respect of pension strain costs, and at the year-end, the balance shown in Payments in Advance in the balance sheet for these transactions was £1,269,245. The Council's policy with regard to such payments, and as agreed with the Pension Fund administrators, is that the Council pays the fund for the costs immediately, but charges the cost to revenue over a five-year period. The table below shows the movement in year.

	£000
Balance brought forward as at 1 April 2009	533
Pension Strain costs incurred in year	1,201
Charge to revenue in year	(465)
Balance carried forward as at 31 March 2010	1,269

17. Audit Costs

In 2009/10 North Somerset Council incurred the following fees relating to external audit and inspection.

	2008/09 £000	2009/10 £000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	240	253
Fees payable to the Audit Commission in respect of statutory inspection	22	17
Fees payable to the for the certification of grant claims and returns	46	64
Fees payable in respect of other services provided by the appointed auditor	39	3
Total Audit Costs	347	337

Notes to the Core Financial Statements

18. Fixed Assets

18.1 Movement of Fixed Assets 2009/10

The Council generally reflects the current value of its assets in the Balance Sheet. New assets are introduced where they exceed £10,000 in value.

The following tables analyse the movement in fixed assets (Operational, Non-Operational and Intangible) during the year:

Movement of Operational Assets 2009/10					
	<i>Land & Buildings £000</i>	<i>Infrastructure Assets £000</i>	<i>Community Assets £000</i>	<i>Vehicles, Plant & Equipment £000</i>	Total £000
Gross Book Value as at 1 April 2009	611,909	42,201	3,188	13,751	671,049
Movement in year 2009/10					
Additions	36,677	17,103	372	2,627	56,779
Disposals	(1,027)	0	0	0	(1,027)
Revaluations	1,611	0	383	0	1,994
Transfers between categories	19,929	0	0	0	19,929
	57,190	17,103	755	2,627	77,675
Gross Book Value as at 31 March 2010	669,099	59,304	3,943	16,378	748,724
Depreciation as at 1 April 2009	(22,861)	0	(37)	(5,792)	(28,690)
Depreciation for the year	(30,736)	0	(37)	(1,325)	(32,098)
Disposals	11	0	0	0	11
Revaluations	2,418	0	0	0	2,418
Depreciation as at 31 March 2010	(51,168)	0	(74)	(7,117)	(58,359)
Impairment as at 1 April 2009	(9,403)	(7,949)	(578)	0	(17,930)
Impairment for the year	(5,532)	(3,469)	(43)	0	(9,044)
Disposals	0	0	0	0	0
Revaluations	2,599	0	0	0	2,599
Impairment as at 31 March 2010	(12,336)	(11,418)	(621)	0	(24,375)
Balance Sheet Amount as at 1 April 2009	579,645	34,252	2,573	7,959	624,429
Balance Sheet Amount as at 31 March 2010	605,595	47,886	3,248	9,261	665,990

Notes to the Core Financial Statements

Movement of Non Operational Assets 2009/10				
	<i>Investment Properties £000</i>	<i>Assets Under Construction £000</i>	<i>Surplus Assets £000</i>	<i>Total £000</i>
Gross Book Value as at 1 April 2009	5,154	20,079	4,133	29,366
Movement in year 2009/10				
Additions	31	6,638	0	6,669
Disposals	(103)	0	0	(103)
Revaluations	306	0	86	392
Transfers between categories	(595)	(19,115)	(219)	(19,929)
	(361)	(12,477)	(133)	(12,971)
Gross Book Value as at 31 March 2010	4,793	7,602	4,000	16,395
Impairment as at 1 April 2009	0	0	0	0
Impairment for year	(72)	0	0	(72)
Revaluations	41	0	0	41
Impairment as at 31 March 2010	(31)	0	0	(31)
Balance Sheet Amount as at 1 April 2009	5,154	20,079	4,133	29,366
Balance Sheet Amount as at 31 March 2010	4,762	7,602	4,000	16,364

North Somerset Council does not have any Intangible Fixed Assets at the beginning or end of the 2009/10 financial year to record, although a thorough search of transactions and processes has been carried out.

All valuations of fixed assets are introduced to the Balance Sheet with an effective date of 1st April (i.e. at the beginning of each financial year).

18.2 Depreciation

The Council has detailed policies on the assessment of asset lives which range from between 1 and 60 years, and on the calculation of depreciation of its assets. Service revenue accounts have been charged with depreciation as follows:

	<i>2008/09 £000</i>	<i>2009/10 £000</i>
Development and Environment	3,903	3,741
Children & Young People's Services	30,781	27,472
Housing General Fund	23	63
Finance & Resources and Corporate Services	451	603
Adult Social Services	203	220
Total Depreciation	35,361	32,099

Notes to the Core Financial Statements

18.3 Capital Financing Requirement

The Capital Financing Requirement (CFR) was introduced by the Prudential Code for Capital Finance and reflects the movement in the Balance Sheet Accounts for Fixed Assets, Capital Adjustment Account, Government Grants Deferred and the Revaluation Reserve.

The net movement in the Capital Financing Requirement illustrates the change in the underlying need for the Council to borrow during the year to fund capital investment which has not been funded immediately from resources such as grants, capital receipts and direct funding from revenue.

2008/09 £000	2009/10 £000
94,040	116,401
Restate Capital Adjustment Account balance re:	
20,829	0
43	0
<u>114,912</u>	<u>116,401</u>
Capital Investment in Year	
51,352	63,448
0	0
406	0
6,717	3,691
<u>58,475</u>	<u>67,139</u>
Source of Finance	
(41,706)	(40,912)
(8,632)	(4,803)
(1,627)	(1,234)
(5,021)	(5,287)
<u>(56,986)</u>	<u>(52,236)</u>
1,489	14,903
<u>116,401</u>	<u>131,304</u>
Movement in Year	
The increase in the underlying need to borrow is represented by:	
5,387	5,684
1,123	14,506
(5,021)	(5,287)
<u>1,489</u>	<u>14,903</u>

Notes to the Core Financial Statements

18.4 Commitments under Capital Contracts as at 31st March 2010

Major capital commitments existed as at 31st March 2010 for the following capital schemes for which the Council has in place the necessary funding:

	<i>Period over which the investment will take place</i>	<i>Project Cost £000</i>
Weston Sea Defences	2009/11	6,199
Winford School	2009/11	2,691
Pier Square	2009/11	1,698

18.5 Information on Assets Held

The assets of the Council comprise of:

Tangible Fixed Assets	<i>Number</i>		<i>NBV at 31 March</i>
	<i>2008/09</i>	<i>2009/10</i>	<i>2010 £000</i>
Category/Description			
Operational Land and Buildings			
Schools	79	79	492,147
Leisure and Sports Centres	12	12	35,707
Entertainment, Community and Activity Centres, Halls and Libraries	22	22	25,388
Public Conveniences	39	39	1,823
Administrative and Municipal Buildings	5	6	21,124
Car Parks	49	48	12,071
Depots	5	6	2,691
Other	-	-	14,644
Non Operational Land and Buildings			
Agricultural and Smallholdings	9	8	3,053
Commercial and Retail Outlets	3	3	1,709
Other	-	-	0
Operational Plant and Equipment			
Schools Equipment	21	24	2,608
Vehicles & Plant	18	24	820
Computing Systems and Equipment	17	17	4,258
CCTV Equipment	2	2	142
Other	24	24	1,433
Infrastructure Assets	-	-	47,886
Community Assets			
Parks and Open Spaces	28	44	2,639
Other	-	-	609
Non Operational Surplus Assets	-	-	4,000
Non Operational Assets under Construction (Schools)	-	-	7,602
Net Book Value as at 31 March 2010			682,354

Notes to the Core Financial Statements

18.6 Valuation Information

Valuation of Fixed Assets carried at current value – the following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. Valuations of Land & Buildings are carried out by the Council's Head of Property and Asset Management A.R.I.C.S. The basis for valuation is set out in the Statement of Accounting Policies on page 8.

	<i>Land & Buildings</i> £000	<i>Infrastructure Assets</i> £000	<i>Community Assets</i> £000	<i>Vehicles, Plant & Equipment</i> £000	<i>Investment Properties</i> £000	<i>Assets Under Construction</i> £000	<i>Surplus Assets</i> £000	Total £000
Valued at Historical Cost	49,503	47,886	1,642	9,261	0	7,602	0	115,894
Valued at Current Value in year								
2009/10	10,886	0	358	0	0	0	0	11,244
2008/09	484,072	0	280	0	0	0	0	484,352
2007/08	13,421	0	10	0	2,415	0	0	15,846
2006/07	15,415	0	576	0	0	0	0	15,991
2005/06	5,731	0	382	0	2,347	0	4,000	12,460
2004/05, or prior	26,567	0	0	0	0	0	0	26,567
Total	605,595	47,886	3,248	9,261	4,762	7,602	4,000	682,354

18.7 Revaluation of Fixed Assets 2009/10

The Council has continued its policy of ensuring that all its fixed assets are revalued at least every 5 years, in accordance with current accounting practice. During 2009/10 the following categories of assets were revalued; sheltered leasehold housing properties, offices, depots, catering kiosks and a proportion of the Council's community assets such as clubhouses, community centres and pavilions.

These revaluations were undertaken by the Council's in-house Valuation team using Market or Existing Use Value. As can be seen from the table in Note 18.1, the effect of the annual revaluation programme resulted in a net increase in value of £7.4m.

18.8 Impairment of Fixed Assets 2009/10

As a result of significant fluctuations within various parts of the economy throughout 2008/09, the Council's property specialists reviewed the asset portfolio at the year-end, in order to consider the impacts of the specific valuation indices and cost factors relevant to the local area, and compare these to the carrying value held within the Asset Register at that time.

At the end of this review they recommended that the council should reflect an impairment assessment of 10% on a significant proportion of the land and buildings held, which equated to approximately £55.3m. The majority of the impairment assessment for 2008/09 was charged to the Council's Revaluation Reserve where positive balances were held for these specific assets, and not to the Income and Expenditure Account.

In March 2010 the Council's property specialists carried out a further review of the valuation indices and cost factors relevant to the local area throughout 2009/10. They concluded that the general market conditions, whilst difficult in places, were significantly different to those conditions present in 2008/09, and did not require a blanket impairment approach.

Notes to the Core Financial Statements

They therefore recommended no further impairment assessment on any categories within the asset portfolio as a result of general market conditions for 2009/10.

	2008/09	2009/10		TOTAL £000
	£000	<i>Non Enhancing</i>	<i>Downward Revaluations</i>	
Development and Environment	5,130	3,555	429	3,984
Children & Young People's Services	4,238	3,564	0	3,564
Housing General Fund	192	5	361	366
Finance & Resources and Corporate Services	1,026	810	182	992
Adult Social Services	8	11	199	210
Total Impairment Charged to the Income and Expenditure Account	10,594	7,945	1,171	9,116

The table provided above reflects the impairment of fixed assets which has been charged to the Council's Income and Expenditure Account during the year, largely as a result of capital expenditure incurred during the year which does not directly increase the value of an asset, although its life or usage may be increased. Although this expenditure is charged to the Income and Expenditure Account at the end of the year, it is not chargeable to council tax-payers as it is written out to the Capital Adjustment Account.

19. Assets Held Under Leases

19.1 Operating Leases

Vehicles, Plant & Equipment – the Council uses vehicles and equipment financed under terms of an operating lease. The amount paid under these arrangements in 2009/10 was £64,485 (£116,336 in 2008/09).

Commitments under Operating Leases – the Council was committed at 31st March 2010 to making payments of £42,720 under operating leases, comprising the following elements:

	2009/10 £000
Leases expiring in 2010/11	43
Leases expiring between 2011/12 to 2015/16	0
Total	43

19.2 Finance Leases

Under the current SORP 2009, the Council had no outstanding obligations under finance lease arrangements as at 31st March 2010. This position is being monitored in order to ensure compliance with the International Financial Reporting Standards (IFRS) which comes into force for the 2010/11 financial year. Currently all leases are being reviewed under the new accounting arrangements and some restatement of the 2009/10 position with regard to finance leases may become necessary.

Notes to the Core Financial Statements

20. Authority as Lessor

With regard to the Authority's activity as a lessor, the Council owns various commercial and investment property that it leases out. The gross value of assets which were held for use in operating leases was £4.762m, valued at 31st March 2010. All properties are non-operational and, therefore, depreciation does not apply to these assets.

	2008/09 £000	2009/10 £000
Non-Operational Land and Buildings:		
Rental Income received in year from Operating Leases and credited to Services	241	249

21. Analysis of Net Assets Employed

The Net Assets employed by the Council totalling £269.178m are represented by the aggregate of reserves attributable to the authority. Following the closure of the Housing Revenue Account in 2006, all of these funds were attributed to the General Fund.

22. Movements in Revenue Expenditure Funded by Capital Under Statute

Revenue Expenditure Funded by Capital Under Statute, incurred in 2009/10 has been written out to the Income and Expenditure Account as it is incurred and no balance is carried in the Balance Sheet. (See Accounting Policy 4, page 10)

Revenue Expenditure Funded by Capital Under Statute incurred and written out during the year are as follows:

	2008/09 £000	2009/10 £000
Disabled Facilities Grants	1,625	1,599
Private Sector Renewal	244	183
Assistance to Housing Associations	2,122	554
Other Housing Services	31	22
VA Schools	492	37
Capital Works and Grants - Non Council Property, incl Children's Centres	1,545	628
Other - incl Vehicles and Infrastructure	658	668
Total Revenue Expenditure Funded by Capital Under Statute	6,717	3,691

23. Long Term Investments

The Council's long term investments consist of:

	2008/09 £000	2009/10 £000
Available for Sale Investments	0	1,402
Externally Managed Investments	0	3,008
Internally Managed Investments	11,551	2,254
Repair & Renewals Fund - 3.5% Conversion Stock	1	1
Total Long Term Investments	11,552	6,665

Notes to the Core Financial Statements

24. Long Term Debtors

The following are included in the Council's long term debtors:

	2008/09 £000	2009/10 £000
Mortgages	361	317
Housing Long Term Debtors	10	10
Other Long Term Debtors	935	936
	1,306	1,263
Car Loans to Employees	5	0
Provisions for Doubtful Debts	(2)	(2)
Total Long Term Debtors	1,309	1,261

25. Financial Instruments

25.1 Categories and Balances of Borrowings & Investments

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	<i>Long Term</i>		<i>Current</i>	
	<i>31 March 2009 £000</i>	<i>31 March 2010 £000</i>	<i>31 March 2009 £000</i>	<i>31 March 2010 £000</i>
	Financial liabilities at amortised cost	109,598	107,282	3,537
Credit Cover arrangements (Leases)	70	47	24	23
Total Borrowings	109,668	107,329	3,561	7,563
Loans and receivables	11,552	5,263	88,634	78,965
Available-for-sale financial assets	0	1,402	14,427	11,215
Total Investments	11,552	6,665	103,061	90,180

25.2 Events with Material Effect - Impairment of Financial Assets

Impairment of Deposits with Icelandic Banks

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. North Somerset Council had one investment of £3m deposited in Landsbanki, which was due to mature on 28 November 2008.

All monies with these institutions continue to remain subject to the respective legal administration and receivership processes. The amounts and timing of payments to depositors such as North Somerset Council will be determined by the administrators/receivers.

Notes to the Core Financial Statements

The current situation with regards to the recovery of the sums deposited varies between each banking institution. Based on the latest information available the Council considers that it is appropriate to consider an impairment adjustment for this deposit, and has taken the action outlined below in respect of the £3m Landsbanki investment. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators and receivers, it is likely that further adjustments will be made to the Accounts in future years.

Landsbanki

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Landsbanki), with the management of the affairs of the Old Landsbanki being placed in the hands of a resolution committee. The latest creditors' report was issued on 26 March 2010 and confirms that a settlement has been reached between Landsbanki and the successor bank in Iceland (NBI) about the way in which the successor will compensate Landsbanki for the assets taken over, this confirms that compensation will be provided through a series of interest-bearing bonds in a range of currencies.

Old Landsbanki's affairs are being administered under Icelandic Law. Previous advice has been based on the assumption that local authority deposits with the banks had priority status, and would therefore be repaid ahead of any creditors that did not have priority status. This was based on the legal advice obtained by local authorities, and on announcement made by the banks. It should be noted that this issue has yet to be formally agreed within the Icelandic court process and so priority creditor status does remain a risk to the level of any recoverable sums. Allowing for the court cases to be heard, and for the appeals process to run its course, it is considered unlikely that there will be a settled position on priority status before the second quarter of 2011. However having considered CIPFA's guidance and the probability of priority creditor status being awarded. The Council's 2009/10 impairment assessment assumes that priority status will be awarded and the Accounts duly reflect a recovery rate of 94.85%. Projected recoveries may validly include interest up to 14 November 2008, and are expressed as a percentage of the Council's claim in the administration.

No information had been provided by the resolution committee about the timing of any payments to depositors. Because it is anticipated that all the assets of Landsbanki Islands will need to be realised to repay priority creditors, settlement in a single sum is unlikely. Therefore in calculating the impairment assessment, the Council has anticipated phased repayments will be received between October 2011 and October 2018.

Notes to the Core Financial Statements

25.3 Gains & Losses

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

	Financial Liabilities <i>Liabilities measured at amortised cost £000</i>	Financial Assets <i>Loans and Receivables</i>		<i>Available for sale Assets £000</i>	Total £000
Interest expense	6,375	0		0	6,375
Losses on derecognition	0	0		77	77
Impairment losses	0	462		0	462
Interest payable and similar charges	6,375	462		77	6,914
Interest income	0	(2,938)		(280)	(3,218)
Gains on derecognition	0	0		0	0
Interest and investment income	0	(2,938)		(280)	(3,218)
Gains on revaluation				0	0
Losses on revaluation				0	0
Amounts recycled to the I&E Account after impairment				0	0
Surplus arising on revaluation of financial assets				0	0

25.4 Fair value of Assets & Liabilities carried at Amortised Cost

Financial liabilities and financial assets 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, using the following assumptions:

- For loans from the PWLB and other loans payable, premature repayment dates from the PWLB have been applied to provide the fair value under the PWLB debt redemption procedures
- The fair values of non-PWLB debt have been calculated using the same procedures and interest rates, which provide a reasonable approximation for the fair value of these instruments
- For investments maturing after 12 months of the balance sheet date, prevailing benchmark market rates have been applied to provide the fair value
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount

Notes to the Core Financial Statements

The fair values calculated are as follows:

	<i>31 March 2009</i>		<i>31 March 2010</i>	
	<i>Carrying</i>		<i>Carrying</i>	<i>Fair</i>
	<i>amount</i>	<i>Fair Value</i>	<i>amount</i>	<i>Value</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Financial liabilities	113,229	125,815	114,892	120,864
Loans and receivables	100,186	97,905	84,227	84,564

The fair value is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This guarantee to receive interest above current market rates increases the amount that the Council would receive if it agreed to early repayment of the loans.

25.5 Nature & extent of risks arising from financial instruments

The Council'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 Council might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements

The Council'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 all directorates with specific support from officers within the Finance and Resources directorate, under policies approved by Council in the Annual Investment Strategy. This 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.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the strict criteria set within the Council's approved Treasury Management Strategy, which does include a degree of reliance upon credit reference ratings.

However, the Council's Strategy mitigates a proportion of credit risk by setting limits to restrict the total amounts invested with individual counter-parties at any one time. The in-house treasury team could not invest more than £4m, and the external cash managers not more than £3m to any one investor during 2009/10. The only exception to this principle during the year related to deposits made with the Government's Debt Management Office, no limit was applied as it was deemed extremely secure.

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

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	<i>Amount at 31 March 2010 £000 (A)</i>	<i>Historical experience of default % (B)</i>	<i>Historical experience adjusted for Market Conditions % (C)</i>	<i>Estimated maximum exposure to default & uncollectability £000 (A x C)</i>
Deposits with banks & financial institutions	96,844	0.016%	0.082%	79
Bonds	0	0.000%	0.000%	0
Customers (Trade Debtors)	14,794	3.251%	3.251%	481
Totals	111,638			560

The historical experience of default for banks and financial institutions has been taken from Moody's, one of the credit rating organisations used by the Council. Whilst the current crisis in international markets has raised the overall possibility of default, the Council maintains strict criteria for investment counterparties in order to mitigate this risk wherever possible.

Credit limits and ratings are monitored throughout the reporting period, and adjustments made to the Strategy if appropriate. As reported in Note 25.2 the Council had one investment of £3m with the Icelandic bank Landsbanki, for which an impairment assessment has been carried out.

Liquidity Risk

As the Council 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 Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy is to ensure that not more than £7m of loans are due to mature within any one year through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments.

The maturity analysis of financial liabilities is as follows:

	<i>£000</i>
Less than one year	7,563
Between one and two years	6,047
Between two and five years	7,163
Between five and ten years	14,404
More than ten years	79,715
Totals	114,892

All trade and other payables are due to be paid in less than one year.

Notes to the Core Financial Statements

Market Risk

Interest Rate Risk

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

- borrowings at variable rates – the interest expense charged to the Income & Expenditure Account will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates - the interest income credited to the Income & 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 & Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income & Expenditure Account and affect the General Fund Balance. Movements in the fair value of fixed rate investments will be reflected in the STRGL.

The Council has a number of strategies for managing interest rate risk. The policy is to aim to keep a maximum of 25% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is mitigated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

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. The analysis will also advise whether new borrowing taken out is fixed or variable.

Price Risk

The Council is exposed to risk of changes in the price of Certificates of Deposit which form part of the externally managed portfolio of investments. A general shift up or down in the quoted bid prices as at 31 March 2010 of 1% would have resulted in a gain or loss of £110,640 being recognised in the Income and Expenditure account.

Foreign Exchange Risk

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

26. Stocks and Work in Progress

The following stocks were held as at 31 March 2010:

	2008/09 £000	2009/10 £000
Bars and Catering	33	32
Controlled Stationery	17	14
Green Sacks	18	45
Totals	68	91

Notes to the Core Financial Statements

27. Debtors (incl. Bad Debt Provisions)

	2008/09 £000	2009/10 £000
Amounts falling due within one year:		
<u>Collection Fund</u>		
Council Tax - 2008/09 restated	5,992	6,103
less : Bad Debt Provision - 2008/09 restated	(3,323)	(3,562)
<i>Sub Total - Council Tax</i>	2,669	2,541
Rent Allowances / Rebates Overpayments - 2008/09 restated	2,969	3,703
less : Bad Debt Provision - 2008/09 restated	(2,618)	(3,284)
<i>Sub Total - Rent Allowances & Rebates</i>	351	419
Housing Arrears	245	245
less : Bad Debt Provision	(245)	(245)
<i>Sub Total - Housing Arrears</i>	0	0
<u>Other Debtors</u>		
Government Departments		
- VAT	1,929	2,245
- NNDR	62	5,290
Housing Advances	1	1
Sundry Debtors	16,001	14,794
Car Loans to Employees	5	4
	17,998	22,334
less : Bad Debt Provision (Sundry Debtors)	(891)	(481)
<i>Sub Total - Other Debtors</i>	17,107	21,853
Total Debtors (due within one year)	20,127	24,813

The 2008/09 debtors figure has reduced by £2.315m to provide restated comparative figures which take account of the SORP 2009 requirements, see 'Changes in Accounting Policies in the Explanatory Foreword on page 2 for a full explanation. An adjustment has been shown on the Balance Sheet for 2008/09 on both Debtors and Creditors, for the same amount meaning the overall effect of the Balance Sheet is nil.

Notes to the Core Financial Statements

28. Creditors

	2008/09 £000	2009/10 £000
Government Departments - 2008/09 Restated	5,441	5,778
General Creditors - 2008/09 Restated	18,029	22,209
Collection Fund - 2008/09 Restated	645	879
Receipts in Advance		
- General	13,543	6,829
- Collection Fund	1,154	1,227
Deposits (incl. S106 Agreements)	11,880	12,733
Totals	50,692	49,655

The 2008/09 creditors figure has reduced by £2.315m to provide restated comparative figures which take account of the SORP 2009 requirements, see 'Changes in Accounting Policies in the Explanatory Foreword on page 2 for a full explanation. An adjustment has been shown on the Balance Sheet for 2008/09 on both Debtors and Creditors, for the same amount meaning the overall effect of the Balance Sheet is nil.

29. Avon County Council Long-Term Liabilities

Following Local Government Reorganisation, the responsibility for administering Avon County Council's outstanding debt was transferred to Bristol City Council. All the unitary authorities in the ex-Avon area make annual contributions equivalent to principal and interest towards the long-term debts.

It should be noted that the North Somerset Council share of the former Avon County debt figures shown below, are incorporated within the Council's Long-Term Liabilities on the Balance Sheet.

	2008/09 £000	2009/10 £000
Total Avon CC Debt Outstanding	103,687	99,540
<u>North Somerset Share of LGR Debt Outstanding</u>	19,523	18,742
Total Interest Paid in Year	1,175	1,116
Avon Debt Repayments - Minimum Revenue Provision	813	781
<u>Total NSC Debt Outstanding re Restructuring Costs</u>	472	453
Interest Paid in Year	28	27
Avon Debt Restructuring Repayments - Minimum Revenue Provision	20	19
<u>Total for both LGR and Debt Restructuring</u>		
North Somerset Debt Outstanding	19,996	19,196
Interest Paid in Year	1,203	1,144
Debt Repayments - Minimum Revenue Provision	833	800

Notes to the Core Financial Statements

30. Contingent Liabilities

Each Director has to produce an Annual Assurance Statement for their Directorate and within these Statements, they are required to identify whether there is any potential litigation or claims that may affect the financial statements. There are four significant risks to the financial statements.

▪ Residential and Nursing Home Arbitration

The non-acceptance of our annually negotiated fee increases by the Registered Nursing Home Association (RNHA). The Council is being taken to arbitration by 13 nursing homes, having offered on average 3.6% for a 2 star home. This was accepted by all residential homes and 31 nursing homes. The RNHA are using the arbitration process to bring our basic fee closer to figures quoted by Laing & Buisson as the 'Fair Cost of Care'. Should arbitration be successful this would be a significant unfunded item. For example, a 1% increase could cost between £106k and £378k depending on how the decision is implemented across this sector. The Council remains confident that we will receive a successful ruling as our current basic rates benchmark as one of the highest in the region, following a previous Fair Price for Care agreement.

▪ Landsbanki.

The Council still awaits the conclusion of the legal situation surrounding investments in the Icelandic bank, Landsbanki. The 2008/09 accounts assumed a 95% return, further details regarding this issue can be seen in Note 25.2 on page 68.

▪ Concessionary Fares

A statutory minimum requirement of free bus travel for people over 60 and disabled people began on 1 April 2006, and a new national scheme began on 1 April 2008. The Council reimburses local bus companies in accordance with the published scheme. The main cost variables are

- Actual Fares – controlled by the bus operators
- Average Fares – published in the scheme
- Reimbursement factor – published in the scheme
- Journeys

Due to difficulties in predicting the variables and the potential of an appeal against the published scheme, there is still a risk of overspending in 2010/11. The budget for 2010/11 has been cash limited.

In addition to the variables above the bus operator are now in the process of making 2 claims for additional capacity. This means that the bus operator have evidence to prove that the additional passenger journeys created by the concessionary fares scheme now means that additional schemes are required. One of these claims is so certain that a reserve has been set up from an under-spend in 2009/10 of £165k. The other is less certain and, as such will be carried as a risk.

▪ Municipal Mutual Insurance Ltd. (MMI)

The following latest report from Municipal Mutual Insurance Ltd. (MMI) informs the Council of a possible future financial exposure.

Municipal Mutual Insurance Ltd. went into 'run-off' on 30 September 1992. For the policy years prior to 1992/93, North Somerset faces a potential liability. If in future MMI has insufficient funds to meet future claims with regard to this period, then the 'MMI Scheme of Arrangement' will be triggered. The scheme creditors, of whom North Somerset are one, would be liable to repay the total value of claim payments received to date, less £50,000. Despite the fact that the Directors of MMI continue to believe that a solvent run-off under the Agreement can be achieved with a full payment of all agreed claims, there is a possibility that North Somerset could have a potential financial exposure under the terms of the Agreement. The exposure of the Company to asbestos related disease claims, vibration white finger and child abuse cases as well as IBNR (incurred but not reported) claims could mean that a solvent run-off is not achievable. As at 31st March 2010 the Council had a potential maximum financial exposure of approximately £526,000. No further update has yet to be received.

Notes to the Core Financial Statements

31. Insurance Provisions and Reserves

The insurance provisions and reserves balance stood at £5.473m as at 31 March 2010. Identified outstanding potential commitments at this date stand at approximately £2.060m and are reflected in the insurance provisions shown in Note 32, below. However, as always with insurance claims, they can take time to materialise and therefore the Council has set-aside reserves totalling £3.412m to meet any further potential claims yet to be reported.

The Council generally insures its portfolio of properties for most of the major perils but bears the first £100,000 (i.e. excess) of claims. This excess is paid from the Council's insurance reserves subject to a total 'stop-loss' for all claims of £300,000 for the year, i.e. the total call on the reserves in any one year is limited to this amount. The movement in this reserve is shown in Note 33.8, page 83.

The Council's liability insurances are generally subject to an excess of £50,000 for all claims payable from the Insurance Reserves, but once again this is subject to a 'stop-loss' of £1.1m for the year. Motor claims are traditionally insured but subject to an excess of £250 for accidental damage.

The major areas of risk not covered either by external insurance policies or the internal insurance fund are as follows:

- Spontaneous combustion
- Asbestosis
- Accidental damage unless specifically referred to on the "All Risks" cover
- Theft or damage to property in the open
- Infrastructure (roads, bridges, street furniture, sea defences etc.).

Any costs arising from such risks are charged to the relevant accounts of the council.

The Council's insurance arrangements for 2009/10 include a 'stop-loss' facility for both liability and property insurance policies. This means that the Council's own financial liabilities arising from the payments of excesses is limited, or capped, at a specified level. Each insurance year has its own stop-loss limit.

Notes to the Core Financial Statements

32. Provisions

This heading reflects monies held where the Council has an obligation which is likely to lead to a payment but the exact amount and timing of the payment is unknown.

	<i>Balance</i> <i>1 April 2009</i> <i>£000</i>	<i>Receipts in</i> <i>Year</i> <i>£000</i>	<i>Appropriations</i> <i>in Year</i> <i>£000</i>	<i>Balance</i> <i>March 2010</i> <i>£000</i>
Insurance Provisions General Fund	2,322	469	(805)	1,986
Insurance Provisions Sheltered Leasehold	37	29	0	66
Insurance Provisions Housing	8	1	(1)	8
NNDR Revaluation Provision	370	141	(115)	396
F&R FMS Development Provision	34	0	(34)	0
F&R Rent Reviews Provision	504	280	(784)	0
CSU HR Data Cleansing Provision	30	0	0	30
CSU Customer Delivery Provision	35	0	0	35
D&E South Ward SSC Programme	169	0	(169)	0
D&E LPSA Provisions	95	0	(46)	49
D&E IT Data Capture and Projects	34	0	(18)	16
D&E Planning Appeals Provision	164	80	(78)	166
ASS&H Homecare Provision	0	18	0	18
ASS&H Homelessness Review	5	0	0	5
ASS&H Housing General Fund & LSVT	9	0	(9)	0
Totals	3,816	1,018	(2,059)	2,775
<i>Expected future timing of associated out-flows of economic benefit;</i>				
Less than 1 year				569
Over 1 year, less than 5 years				1,906
Over 5 years, less than 10 years				300
Totals				2,775
<i>Provision</i>	<i>Description</i>			
Insurance Provisions	Provisions set-aside to finance the estimated costs of reported insurance claims			
NNDR Revaluation Provision	Provision set-aside to finance the costs associated with the delivery of past NNDR Revaluations			
CSU Provisions	Provisions set-aside to finance previous back-office service delivery projects			
Planning Appeals Provision	Provision set-aside to finance the estimated costs of known planning appeals			
Other D&E Provisions	Provisions set-aside to finance previous service delivery projects			
Housing Provisions	Provision set-aside to finance the costs associated with the homelessness review, and the severance costs of the homecare service transition project			

The most significant provision relates to insurance claims. These claims have been reported to the Council and financially assessed by either the Council's in-house team, or by the specialist claims handlers who estimate a reserve, or future financial cost, based upon the individual case facts and current industry sector guidelines. The provision above reflects the current value of all claims reserves, with no additional costs

Notes to the Core Financial Statements

during the year arising from the increased passage of time or changes in the discount rate. The volume and the values of insurance claims can vary on an annual basis, and an element of these costs can be correlated to the condition of the Council's infrastructure network. Recent investment in this area has resulted in decreases to claims, and therefore the value of the provision.

33. Reserves

33.1 Summary of Movements on Reserves

<i>Reserve</i>	<i>Balance 1 April 2009 £000</i>	<i>Net Movement in Year £000</i>	<i>Balance 31 March 2010 £000</i>	<i>Purpose of Reserve</i>	<i>Further Detail</i>
Capital Adjustment Account	107,082	(10,363)	96,719	Store of capital resources set aside to meet past expenditure	Note 33.2
Revaluation Reserve	336,781	(10,985)	325,796	Store of gains on revaluation of fixed assets not yet realised through sales	Note 33.3
Available-for-Sale Financial Instruments Reserve	85	(76)	9	Store of gains on revaluation of investments not yet realised through sales	Note 33.4
Financial Instruments Adjustment Account	(442)	(1,022)	(1,464)	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments	Note 33.5
Useable Capital Receipts	15,477	(1,941)	13,536	Proceeds of fixed asset sales available to meet future capital investment	Note 33.6
Pensions Reserve	(144,089)	(51,980)	(196,069)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 34 Page 84
General Revenue Reserve	9,991	(2,551)	7,440	Resources available to meet future running costs	SMGFB Page 41
LMS School Balances	5,651	124	5,775	See Note for Detail	Note 35 Page 88
Dedicated Schools Grant	1,584	(530)	1,054	See Note for Detail	Note 36 Page 88
Collection Fund Adjustment Account	968	452	1,420	Balance of taxpayers' income attributable to North Somerset Council	Collection Fund Page 93
Earmarked Revenue Reserves	10,117	1,045	11,162	See Note for Detail	Note 33.8
Earmarked Capital Reserves	4,134	(334)	3,800	See Note for Detail, incl Major Repairs Reserve	Note 33.9
TOTAL NET WORTH	347,339	(78,161)	269,178		

Notes to the Core Financial Statements

33.2 Capital Adjustment Account

The balance on the Account represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

	2009/10 £000
Balance brought forward - 1 April 2009	(107,082)
<u>Historical Cost of acquiring, creating or enhancing fixed assets</u>	
- Depreciation	32,099
- Impairment losses - Revaluations downward	1,171
- Impairment losses - Non Enhancing spend	7,945
- Impairment losses - Non Enhancing spend - written off to Revaluation Reserve	(358)
- Historical cost depreciation & impairment loss adjustment	(17,708)
- Book value of assets on disposal	1,118
- Transfer of revaluation gains for assets outstanding on disposal	<u>(362)</u>
	23,905
<u>Resources set aside to finance capital expenditure</u>	
- Capital Receipts	(4,535)
- Direct Revenue Financing	(1,502)
- Minimum Revenue Provision	(5,287)
- Government Grants Deferred	<u>(5,908)</u>
	(17,232)
Amortisation of Revenue Expenditure Funded by Capital Under Statute (previously Deferred Charges)	3,691
Balance carried forward - 31 March 2010	<u>(96,719)</u>

A credit balance on the Account shows that capital finance has been set aside at a faster rate than fixed assets have been consumed, and the Council has a nominal surplus when comparing financing to consumption of resources.

A debit balance on the Account shows that fixed assets have been consumed in advance of their being financed, and the Council has a nominal deficit when comparing financing to consumption of resources.

Notes to the Core Financial Statements

33.3 Revaluation Reserve

The balance on the Revaluation Reserve represents the amount by which the current value of fixed assets carried in the Balance Sheet is greater because they are carried at revalued amounts rather than depreciated historical cost.

	2008/09 £000	2009/10 £000
Balance brought forward - 1 April	8,383	336,781
Gains on revaluation of fixed assets	349,856	7,444
(Losses) on revaluation of fixed assets	(113)	(358)
Historical Cost depreciation adjustment	(21,345)	(17,709)
Write-out of balances on assets disposed	0	(362)
Balance carried forward - 31 March	336,781	325,796

33.4 Available-for-Sale Financial Instruments Reserve

This Reserve records unrealised revaluation gains arising from holding available-for-sale investments, along with any unrealised losses that have not arisen from impairment of the assets i.e. the gains and losses arising from carrying available-for-sale financial assets at fair value.

	2008/09 £000	2009/10 £000
Balance brought forward - 1 April	8	85
Gains in value recognised in year	77	0
Losses arising from derecognition in year	0	(77)
Gains / Losses written-off on impairment	0	0
Balance carried forward - 31 March	85	8

33.5 Financial Instruments Adjustment Account

This Account provides a balancing mechanism, holding the accumulated difference between the financing costs included in the Income & Expenditure Account and the accumulated financing costs required in accordance with regulation to be charged to the General Fund Balance. As can be seen from the table, the Account reflects the net impairment assessment made during the financial year in respect of the £3m investment with the Icelandic bank, Landsbanki.

	2008/09 £000	2009/10 £000
Balance brought forward - 1 April	0	(442)
Gains in value recognised in year	0	0
Losses arising from changes in value in year	0	0
Debt Restructuring Premiums deferred	0	(718)
Net Gains / Losses written-off on impairment	(442)	(304)
Balance carried forward - 31 March	(442)	(1,464)

Notes to the Core Financial Statements

33.6 Useable Capital Receipts Reserve

The Useable Capital Receipts Reserve holds capital receipts from the sale of assets which have been received and have not yet been used to finance capital expenditure. The balance on the Reserve is held to fund future year's expenditure in the approved Capital Budget.

	<i>2008/09</i>	<i>2009/10</i>
	<i>£000</i>	<i>£000</i>
Balance brought forward - 1 April	20,999	15,477
Repayment of receipts applied as forward funding of capital spend in prior years	32	0
Receipts from sale of assets in year	1,742	2,594
Amounts transferred to Capital Adjustment Account to finance capital spend	(7,296)	(4,535)
Balance carried forward - 31 March	15,477	13,536

33.7 Major Repairs Reserve

The Major Repairs Reserve was shown separately within the Balance Sheet in previous years but is now shown within 'Other Capital Reserves'.

	<i>2008/09</i>	<i>2009/10</i>
	<i>£000</i>	<i>£000</i>
Balance brought forward - 1 April	232	7
Appropriations to / from other reserves	(206)	0
Financing capital expenditure	(19)	(7)
Internal Interest applied in year	0	0
Balance carried forward - 31 March	7	0

Notes to the Core Financial Statements

33.8 Earmarked Reserves (Revenue)

Earmarked Reserves result from events which have allowed funds to be set aside, surpluses generated from trading undertakings, or decisions causing anticipated expenditure to have been postponed or cancelled.

For each Reserve established the Council identifies

- the reason / purpose of the reserve
- how and when the reserve can be used
- procedures for the management and control of the reserve
- a process and timescale for review to ensure continuing relevance and adequacy.

	<i>Balance</i> <i>1 April</i> <i>2009</i> <i>£000</i>	<i>Transfers</i> <i>between</i> <i>Reserves</i> <i>£000</i>	<i>Additions</i> <i>£000</i>	<i>Withdrawals</i> <i>£000</i>	<i>Balance</i> <i>31 March</i> <i>2010</i> <i>£000</i>
Corporate Reserves					
Insurance Reserves	3,745	(462)	329	(200)	3,412
Other Corporate Reserves	1,665	462	509	(315)	2,321
Directorate Reserves					
Adult Social Services & Housing	614	(100)	0	(211)	303
Children & Young Peoples' Services	81	0	297	(59)	319
Corporate Services Unit Reserves	779	40	191	(363)	647
Development & Environment Reserves	1,486	185	1,114	(1,125)	1,660
Finance & Resources Reserves	1,301	(58)	1,027	(272)	1,998
Sold Flats Sinking Fund (ex-HRA)	446	0	56	0	502
Totals	10,117	67	3,523	(2,545)	11,162
Reserve Description					
Insurance Reserve	See Note 31, page 77				
Other Corporate Reserves	Major items include the Environmental Warranties Reserve and the Financial Impairment Reserve.				
Adult Social Services & Housing	The major reserve relates to funding for the Electronic Data Records Management (EDRM) project within the directorate.				
Children & Young Peoples' Services	Includes reserve to carry forward surpluses created by trading services, as well as reserve to fund ICT projects.				
Corporate Services Reserves	Includes reserves accumulated over 4 years to finance the Council's district election costs which results in a smoothing of the budget requirement over the period.				
Development & Environment	Major reserves include partnership monies held under the Council's role as accountable body, as well as essential health and safety and maintenance works.				
Finance & Resources Reserves	The largest reserves held by the directorate relate to anticipated future costs arising in Revenues and Benefits and Property and Asset Management areas.				
Sold Flats Sinking Fund (ex-HRA)	Monies held in sinking funds to be used for repairs at leasehold properties.				

Notes to the Core Financial Statements

33.9 Earmarked Reserves (Capital)

The Council holds the following non-statutory / regulatory capital reserves. They have been established on the same basis as the revenue reserves described in Note 33.8 above, but have been created specifically for future investment on capital schemes and projects. However, a degree of flexibility is retained in their treatment depending on prevailing budget conditions.

	<i>Balance</i> 1 April 2009 £000	<i>Transfers</i> <i>between</i> <i>Reserves</i> £000	<i>Additions</i> £000	<i>Withdrawals</i> £000	<i>Balance</i> 31 March 2010 £000
General Capital Reserve	3,255	0	0	0	3,255
Earmarked Capital Reserve	872	(190)	0	(137)	545
Major Repairs Reserve	7	0	0	(7)	0
Totals	4,134	(190)	0	(144)	3,800
Reserve	Description				
General Capital Reserve	A general reserve available to finance approved capital spend.				
Earmarked Capital Reserve	A number of specific capital reserves earmarked for use in delivering approved capital investment projects.				
Major Repairs Reserve	The residual balance of a specific capital reserve earmarked for financing approved capital projects.				

34. Retirement Benefits

34.1 Participation in Schemes

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

The Council participates in two schemes:

- the Local Government Pension Scheme known as the Avon Pension Fund, administered by Bath & North-East Somerset Council;
- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Children, Schools and Families (DCSF), now called the Department for Education (DoE), since May 2010.

34.2 Local Government Pension Scheme

The Local Government Pension Scheme is a funded defined benefit scheme based on final pensionable salary. This means that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Transactions Relating to Retirement Benefits

In accordance with *FRS17 Retirement Benefits*, we recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are 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.

Notes to the Core Financial Statements

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

	<i>Local Government Pension Scheme</i>		<i>Teachers Pension Scheme</i>	
	<i>2008/09 £000</i>	<i>2009/10 £000</i>	<i>2008/09 £000</i>	<i>2009/10 £000</i>
Income & Expenditure Account				
<i>Net Cost of Services:</i>				
- Current Service Cost	10,518	6,958	0	0
- Past Service Cost / Curtailments	339	1,500	310	150
<i>Net Operating Expenditure:</i>				
- Interest Cost	23,292	22,980	1,506	1,515
- Expected return on assets in the scheme	(16,209)	(12,528)	0	0
Net Charge to the Income & Expenditure Account	17,940	18,910	1,816	1,665
Statement of Movement in the General Fund Balance				
Reversal of net charges made for retirement benefits in accordance with FRS17				
	17,940	18,910	1,816	1,665
Actual amount charged against the General Fund Balance for pensions in the year - Employers' contributions payable to the scheme				
	12,115	13,521	1,691	1,696

Assets and Liabilities in Relation to Retirement Benefits

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

	<i>2005/06 £000</i>	<i>2006/07 £000</i>	<i>2007/08 £000</i>	<i>2008/09 £000</i>	<i>2009/10 £000</i>
Estimated Liabilities in scheme					
- Present Value	(335,926)	(338,794)	(381,661)	(326,454)	(445,901)
Estimated Assets in scheme - Fair Value	249,201	265,414	247,348	204,545	276,061
Net Asset / (Liability)	(86,725)	(73,380)	(134,313)	(121,909)	(169,840)

The liabilities show the underlying commitments that the authority has in the long run, in order to pay retirement benefits. The total liability of £445.9m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance on the Pensions Reserve (including Teachers Pension Fund activities) of £196.069m. Statutory arrangements for funding the deficit mean that the financial position of the authority remains in a sound position as the deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, and estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Mercer Limited, an independent firm of actuaries, estimates

Notes to the Core Financial Statements

Avon Pension Fund being based on the latest full valuation of the scheme as at 31 March 2007.

The main assumptions used in their calculations have been:

	2008/09	2009/10
Rate of inflation	3.3%	3.3%
Rate of increase in salaries	4.55%	4.55%
Rate of increase in pensions	3.3%	3.3%
Rate for discounting scheme liabilities	7.1%	5.6%
Mortality Assumptions		
Longevity at 65 for current pensioners	Years	Years
Men	21.2	21.2
Women	24.0	24.1
Longevity at 65 for future pensioners in 20 years time	Years	Years
Men	22.2	22.2
Women	25.0	25.0
Take-up of option to convert annual pension into retirement grant	50%	50%

Assets in the Avon Pension Fund are valued at fair value, principally bid price for investments, totalling £276.062m for the Fund as a whole at 31 March 2010 (£204.545m at 31 March 2009). The Fund's assets consist of the following categories, by proportion of the total assets held by the fund:

	<i>Long Term Return</i> %	<i>Pension Fund Assets</i>		31 March 2010	
		<i>31 March 2009</i>		31 March 2010	
		<i>£000</i>	%	£000	%
Equity Investments	7.5	124,158	60.7	179,440	65.0
Government Bonds	4.5	28,432	13.9	28,434	10.3
Other Bonds	5.2	17,591	8.6	26,502	9.6
Cash / Liquidity	0.5	14,114	6.9	7,454	2.7
Property	6.5	0	0.0	9,110	3.3
Other	7.5	20,250	9.9	25,122	9.1
Totals		204,545	100.0	276,062	100.0

Actuarial Gains and Losses

The total actuarial gains and losses within the year are included in the Statement of Recognised Gains and Losses on page 42, not in the Income and Expenditure account. The total pension cost recognised in the STRGL is shown in the table below.

	2008/09	2009/10
	£000	£000
Total pension Gain / (Loss) recognised in the STRGL	18,473	(42,542)
Percentage of period-end liabilities	5.7%	(9.5%)

Notes to the Core Financial Statements

The table below provides further detail to disclose the experience adjustments arising on the Scheme assets and liabilities, both as a value, and also as a percentage of the period-end totals. This is where the expected return on scheme assets is compared to the actual return achieved, and similarly in respect of liabilities.

	2005/06 £000	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000
Expected return on Assets	13,239	15,277	17,724	16,209	12,528
Actual return on Assets	48,458	14,406	(5,314)	(44,505)	70,533
Experience Adjustments	35,219	(871)	(23,038)	(60,714)	58,005
Expressed as a % of period-end Assets		0.3%	9.3%	29.7%	21.0%
Expected interest on Liabilities	(16,095)	(16,533)	(18,330)	(23,292)	(22,980)
Actual interest on Liabilities	(12,728)	(16,533)	(3,409)	(23,292)	(22,980)
Experience Adjustments	(3,367)	0	(14,921)	0	0
Expressed as a % of period-end Liabilities		0.0%	3.9%	0.0%	0.0%
Movements in other Actuarial Assumptions on Liabilities	(27,715)	16,979	(21,800)	79,187	(100,547)
Expressed as a % of period-end Liabilities		5.0%	5.7%	24.3%	22.5%
Total Actuarial Gain / (Loss)	4,137	16,108	(59,759)	18,473	(42,542)

Funding Position

The movement in net deficit for the year to 31 March 2010 is as follows:

	2008/09 £000	2009/10 £000
Net Pensions Liability as at 1 April	(134,557)	(121,909)
Contributions paid	12,115	13,521
Current Service Costs	(10,518)	(6,958)
Past Service Costs	(92)	(1,060)
Gain / (Loss) on Curtailments	(247)	(440)
Expected return on Pension Fund assets	16,209	12,528
Interest on Pension Fund liabilities	(23,292)	(22,980)
Actuarial Gains / (Losses)	18,473	(42,542)
Net Pensions Liability as at 31 March	(121,909)	(169,840)

The table above shows that contributions paid during 2009/10 totalled, £13.521m, it is estimated that this will increase to £14.164m in 2010/11.

34.3 Teachers' Pension Scheme

Teachers employed by the authority are members of the Teachers' Pension Scheme, administered by Capital Teachers' Pensions. It provides teachers with defined benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members'

Notes to the Core Financial Statements

pensionable salaries.

In 2009/10 the Council paid £8.102m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2008/09 were £7.807m and 14.1% respectively. There were no contributions remaining payable at the year-end.

The Scheme is a defined benefit scheme. Although the scheme is unfunded, Teachers' Pensions use a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities such as North Somerset Council.

The Council is also responsible for the costs of any additional discretionary benefits awarded upon early retirement outside the terms of the teachers' scheme.

The full liability for both discretionary and non-discretionary benefits accrued shown on the balance sheet is as follows:

	2008/09 £000	2009/10 £000
Net Liability as at 1 April	(25,533)	(22,180)
Interest on Pension Liabilities	(1,506)	(1,515)
Benefits awarded in year	0	0
Actuarial gains/(losses)	3,478	(4,080)
Curtailments	(310)	(150)
Benefits/transfers paid	1,691	1,696
Net Assets	0	0
Net Pensions Liability as at 31 March	(22,180)	(26,229)

34.4 Somerset and Gloucestershire County Council Scheme

In addition to the above described schemes, during the year the Council also made payments to Somerset County Council of £5,878 (£6,963 - 2008/09) and to Gloucestershire County Council of £4,576 (£4,175 - 2008/09) in respect of pension costs of former employees.

These costs relate to employees prior to Local Government Reorganisation in 1974. These costs are deemed to represent the current cost of service, in accordance with the requirements of FRS 17, and have been charged to Non Distributed Costs in the Income & Expenditure Account.

Due to the lack of information available and relative immateriality of these transactions, no attempt has been made to calculate the respective net liability or asset represented by these future pension commitments.

35. LMS School Balances

The balance of £5.775m (£5.651m - 2008/09) consists of the balances that are held by North Somerset's schools under the LMS scheme, together with DCSF Standards Fund Grant which will be utilised by schools in the summer period of 2010 and are not available to the Council for general use.

36. Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the Department for Children, Schools & Families, the Dedicated Schools Grant (DSG). The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget.

The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Over and underspends on the two elements are required to be accounted for separately.

Notes to the Core Financial Statements

The details of the deployment of DSG receivable for 2009/10 and the balances carried over as at 31 March 2010 are as follows:

	<i>Central Expenditure £000</i>	<i>Individual Schools Budget £000</i>	<i>Total £000</i>
Brought forward from 2008/09	(1,438)	(146)	(1,584)
Final DSG for 2009/10	(14,685)	(93,318)	(108,003)
Carry forward to 2010/11 agreed in advance	933	135	1,068
Agreed Budgeted Distribution in 2009/10	(15,190)	(93,329)	(108,519)
Actual central expenditure for the year	15,204	0	15,204
Actual ISB deployed to schools in year	0	93,329	93,329
Local authority contribution for 2009/10	0	0	0
Total Net Expenditure in 2009/10	15,204	93,329	108,533
2009/10 Variance to Budgeted Distribution	(14)	0	(14)
Total Carry Forward of Grant to 2010/11	919	135	1,054

37. Unapplied Revenue Grants

As at 31 March 2010, the Council have received £3.162m of revenue grants which have yet to be applied to finance expenditure, as the activity for which they are to be used to finance had not yet taken place.

38. Prior Period Adjustments

Where prior period adjustments have been required in accordance with the SORP 2009, i.e. the Collection Fund, additional notes have been added to the relevant Financial Statements and Notes.

39. Events after the Balance Sheet Date

In his Budget statement on 22 June 2010, the Chancellor announced that the Government would start to increase public service pensions in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI), which has been the practice in the past. As a result, future pension increases under the Local Government and Teachers Pension Schemes are expected to be slightly lower, on average, than would have been the case if this change had not been made. This change is estimated to reduce the FRS 17 / IAS 19 benefit obligations by between 5% and 8% for most employers, which would equate to £23m to £37m for North Somerset Council. The precise financial effect will be taken into account in the FRS 17 / IAS 19 figures for the financial year ending 31 March 2011.

Notes to the Core Financial Statements

40. Notes to the Cash Flow Statement

40.1 - Note 1 to the Cash Flow Statement		
Reconciliation of Net Surplus / (Deficit) on the Income & Expenditure Account to Net Cash Flow from Revenue Activities shown on the Cash Flow Statement		
<i>2008/09</i>		<i>2009/10</i>
<i>£000</i>		<i>£000 £000</i>
(41,430)	Surplus / (Deficit) on Income & Expenditure Account	(38,906)
	Adjustments for non-cash transactions	
46,395	Amortisation, Depreciation & Impairment of fixed assets	41,215
(113)	Revaluation Decreases to Income & Expenditure in year	(358)
(6,672)	Amortisation of Deferred Government Grants	(3,774)
(3,694)	Grants funding Revenue Expenditure Charged to Capital Under Statute	(2,133)
5,950	Net Retirement Benefit Charges (FRS17)	5,358
0	Other non-cash Financial Instrument adjustments	717
1,340	Collection Fund Adjustment Account	(452)
(202)	Contributions to Provisions	(1,040)
7,652	Other non-cash transactions	0
<u>9,226</u>		<u>39,533</u>
	Items on an accruals basis	
0	Increase / (Decrease) in Stocks & WIP	(23)
(878)	Increase / (Decrease) in Debtors and Payments in Advance	(4,412)
3,480	(Increase) / Decrease in Creditors and Receipts in Advance	(1,345)
48	Other Accruals	0
<u>2,650</u>		<u>(5,780)</u>
	Adjustments for items reported separately on the Cash Flow Statement	
(1,177)	(Gain) / Loss on disposal of fixed assets	(1,476)
6,717	Revenue Expenditure Charged to Capital Under Statute	3,691
6,260	Interest Payable	7,554
(7,541)	Interest Receivable	(3,218)
<u>4,259</u>		<u>6,551</u>
<u>16,135</u>	NET CASH FLOW FROM REVENUE ACTIVITIES	<u>1,398</u>

Notes to the Core Financial Statements

40.2 - Note 2 to the Cash Flow Statement

Analysis of Changes in Net Debt

	As at 1 April 2009	Receipt / Payment of Interest	Cash Movement	Other Non-Cash Movement	As at 31 March 2010
	£000	£000	£000	£000	£000
Net Cash Held / (Overdrawn)	(2,004)	0	2,242	0	238
Short Term Investments	103,061	(2,439)	(20,510)	10,068	90,180
Amounts relating to Major Preceptors & NNDR	(932)	0	(4,793)	0	(5,725)
Temporary Borrowing	(3,561)	249	(4,002)	(249)	(7,563)
Long Term Borrowing	(129,663)	0	3,139	0	(126,524)
Total Net Debt	(33,099)	(2,190)	(23,924)	9,819	(49,394)

40.3 - Note 3 to the Cash Flow Statement

Reconciliation of Changes in Cash to Movement in Net Debt

	2009/10 £000	£000
Increase / (decrease) in cash for the period		2,242
Cash (inflow) / outflow from management of liquid resources		(27,742)
Cash inflows from		
- New Loans Raised		(18,704)
Cash outflows from		
- Loans Repaid	17,841	
- Payment of interest accrued at last balance sheet	249	
	<u>18,090</u>	
Changes in net debt resulting from cash flows		(26,114)
Other non-cash changes in net debt		
- Interest accrued on Short Term Investments	1,468	
- Transfers to / from Long Term Investments	8,904	
- Adjustments for Fair Value and Impairment of Investments	(304)	
- Interest accrued on Loans	(249)	
	<u>9,819</u>	
Movement in Net Debt in the Period		(16,295)
Net Debt at 1 April 2009		(33,099)
Net Debt at 31 March 2010		(49,394)

Notes to the Core Financial Statements

40.4 - Note 4 to the Cash Flow Statement

Analysis of changes in Cash & Liquid Resources during the year

	2008/09	2009/10	Change in Year
	£000	£000	£000
Short Term Investments	103,061	90,180	(12,882)
Amounts relating to Council Tax & NNDR	(932)	(5,725)	(4,793)
Cash Held	3,994	238	(3,757)
Bank Overdraft	(5,998)	0	5,998
Increase / (Decrease) in Year	<u>100,125</u>	<u>84,693</u>	<u>(15,434)</u>

40.5 - Note 5 to the Cash Flow Statement

Analysis of Government Grants

The categories of Government Grant shown in the Cashflow Statement are;

2008/09 £000		2009/10 £000	£000
35,711	Capital Activities (see below for further details)		53,018
196,749	Revenue Activities (see below for further details)		216,291
10,595	Area Based Grant		11,058
136	Local Authority Business Growth Incentive		195
<u>243,191</u>			<u>280,562</u>
	Grants relating to Capital Activities		
	Children & Young People		
15,179	Nailsea BSF Grant	7,971	
0	14-19 ICT Diplomas Grant	7,881	
0	Primary Capital Programme Grant	8,360	
0	Kitchen Refurbishment Grant	1,806	
0	Modernisation Grant	1,110	
3,261	Devolved Capital Grant	4,461	
1,593	Other	<u>1,548</u>	33,137
2,183	Adult Social Services & Housing		1,800
	Development & Environment		
9,372	Weston Sea Defences Grant	12,797	
2,902	Transport Grants	3,315	
0	Growth Point Funding	906	
1,221	Other	<u>1,063</u>	18,081
<u>35,711</u>	Total Grants relating to Capital Activities		<u>53,018</u>

Notes to the Core Financial Statements

40.5 - Note 5 to the Cash Flow Statement (continued)

Analysis of Government Grants

Grants relating to Revenue Activities			
Corporate Services			
45,995	Housing Benefit Subsidy	56,489	
1,579	Housing Benefit Administration	1,828	
11,578	Council Tax Benefit Subsidy	13,166	
407	Other	398	71,881
70	Housing		152
Children & Young People			
104,432	Dedicated Schools Grant	108,003	
8,345	Standards Fund	11,000	
5,694	School Standards Grant	5,785	
3,628	General Sure Start	4,025	
672	Other	1,479	130,292
Adult & Social Services			
2,934	Preserved Rights	2,690	
6,018	Supporting People (incl Parts A & B Handy Person grants)	6,032	
3,256	Other	3,566	12,288
Development & Environment			
2,141	Includes Concessionary Fares, Crime & Disorder		1,678
196,749	Total Grants relating to Revenue Activities		216,291

41. Authorisation of the Statement of Accounts for Issue

The Statement of Accounts 2009/2010 was authorised for issue by Phil Hall, Director of Finance and Resources, on 18 June 2010. Only events which have taken place prior to this date will have been recognised in the Statement of Accounts 2009/2010.

Collection Fund Account

This account reflects the Council's statutory responsibility as a billing authority to maintain a separate Collection Fund, which shows the transactions in relation to council tax and non-domestic rates, and illustrates the way in which these have been distributed to preceptors and the General Fund.

2008/09 £000		Note	2009/10 £000	
			£000	£000
	Income			
(93,282)	Council Tax Payers	CF1		(94,943)
(11,549)	Transfers from General Fund - Council Tax Benefit			(12,984)
(48,019)	Business Rate Payers	CF2		(49,227)
<u>(152,850)</u>				<u>(157,154)</u>
	Expenditure			
102,709	Precepts	CF3		105,807
	<u>Business Rates</u>			
47,770	- Payments to National Pool	CF2	48,971	
249	- Costs of Collection		<u>256</u>	49,227
771	Increase / (Decrease) in Provision for Bad Debt			438
	<u>Contributions - Previous Year's Fund Surplus</u>			
9	- General Fund			965
2	- Avon & Somerset Police			130
0	- Avon Fire Authority			47
<u>151,510</u>				<u>156,614</u>
<u>(1,340)</u>	Movement on Collection Fund Revenue Account			<u>(540)</u>
	Collection Fund Revenue Account	CF5		
194	Balance as at 1 April 2009			(1,146)
(1,340)	Movement on Fund Balance			(540)
<u>(1,146)</u>	Balance as at 31 March 2010			<u>(1,686)</u>

Collection Fund Account

CF1. Council Tax System

Under the council tax system, North Somerset Council must collect each year enough money from local residents to cover the cost of the services we provide, not funded by sources such as Government grants and fees and charges. We must also collect North Somerset's share of the cost of services provided by Avon & Somerset Police, Avon Fire Authority and the Parish and Town Councils.

Council Tax is payable on any dwelling which is not exempt. The amount of council tax that each household must pay depends upon the valuation band in which the property is placed and the Parish or Town in which the dwelling is situated.

In order to set the council tax, we must estimate the number of dwellings in each of eight valuation bands and convert these estimates into an "equivalent number of Band D dwellings". The table below shows the calculation for 2009/10.

Valuation Bands	Estimated number of taxable dwellings after effect of exemptions and discounts	Ratio	Equivalent number of Band D dwellings
A - up to £40,000	9,712	6/9	6,475
B - £40,001 to £52,000	16,744	7/9	13,023
C - £52,001 to £68,000	18,153	8/9	16,136
D - £68,001 to £88,000	14,323	9/9	14,323
E - £88,001 to £120,000	10,835	11/9	13,243
F - £120,001 to £160,000	5,560	13/9	8,031
G - £160,001 to £320,000	3,010	15/9	5,017
H - over £320,001	200	18/9	400
	<u>78,537</u>		76,648
Allowance for Losses on Collection			(843)
Allowance for New Properties			228
			<u>76,033</u>

The total number of "equivalent Band D dwellings" is divided into the total cost of services to arrive at an "average Band D Tax" per dwelling. Dwellings in bands below "Band D" will pay proportionately less than this average and dwellings in bands above "Band D" will pay proportionately more than this average.

The above calculations resulted in an "average Band D Tax" of £1,391.60 per dwelling for 2009/10 (2008/09 - £1,354.45) after taking into account Parish variations and providing a 1.1% provision for unpaid bills (2008/09 - 1.1%).

The actual Council Tax income for 2009/10 was £107,926,534.22, dividing this figure by the "average Band D Tax" results in an actual taxbase of 77,556 dwellings. The difference between this and the total "equivalent Band D dwellings" of 76,033 reflects:

- Variations in the property market
- Changes in the number of exempt dwellings
- Changes in the number of dwellings qualifying for discounts

Collection Fund Account

CF2. National Non-Domestic Rates

Under the existing system all business premises must pay a tax known as National Non-Domestic Rates (NNDR). The tax is collected using local rateable values which are then multiplied by a uniform rate.

All authorities must collect the total NNDR payable (less certain reliefs and other deductions) for their area and pay this into a national fund. Central Government re-distribute the fund to all authorities based on a standard amount per head of the local adult population.

	<i>2008/09</i>	<i>2009/10</i>
Total Non-domestic Rateable Value at 31 March	£120,259,414	£119,989,310
National Non-domestic Rate Multiplier - Standard	46.2p	48.5p
National Non-domestic Rate Multiplier - Small Business	45.8p	48.1p

CF3. Precepts

Precepts shown on the Fund Account are detailed below:

	<i>2008/09</i>	<i>2009/10</i>
	<i>£000</i>	<i>£000</i>
Avon & Somerset Police Authority	11,702	12,261
Avon Fire Authority	4,247	4,458
North Somerset Council (including Parishes)	86,760	89,088
Total Precepts	102,709	105,807

CF4a. Tax Payers' Arrears

	<i>As at</i>	<i>As at</i>
	<i>31 March</i>	<i>31 March</i>
	<i>2009</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>
Council Tax Arrears	7,116	7,270
Business Rates Arrears	5,436	6,403
Gross Tax Payers' Arrears at 31 March	12,552	13,673
Council Tax Prepayments	(766)	(1,047)
Business Rates Prepayments	(1,151)	(657)
Total Tax Payers' Prepayments at 31 March	(1,917)	(1,704)
Total Net Tax Payers' Arrears as at 31 March	10,635	11,969

Collection Fund Account

CF4b. Provision for Tax Payers' Bad Debts

	2008/09	2009/10	
	£000	£000	% of arrears at 31 March
Council Tax	3,946	4,243	58.36%
Business Rates	3,560	4,047	63.20%
Total Tax Payers' Bad Debt Provision	7,506	8,290	

CF5. Breakdown of Prior Years' Tax Payers' Surplus/(Deficit) Held for Distribution

	2008/09	2009/10
	£000	£000
Total prior years' surplus / (deficit) balance divided as follows:	1,146	1,686
Council tax belonging to North Somerset Council see reserves note 33.1	968	1,420
Council tax belonging to Precepting bodies, included within creditors in Balance Sheet		
- Avon & Somerset Police Authority	131	195
- Avon Fire Authority	47	71

CF6. Balance Sheet Items apportionment

As required by the 2009 SORP, the Council Tax Collection Fund balance sheet items have been apportioned between the precepting authorities as shown in the table below.

	Total	North	Police &
	£000	Somerset	Fire
		Council	Creditor
		£000	£000
<u>Council Tax</u>			
Debtors	7,270	6,103	1,167
Bad Debt Provision	(4,243)	(3,562)	(681)
Prepayments & Overpayments	(2,506)	(2,104)	(402)
Surplus	(1,687)	(1,420)	(267)
	(1,166)	(983)	(183)

The 2009 SORP requires the Council's Balance Sheet to contain only one entry with regard to NNDR, either a government debtor or creditor. In 2009/10 the NNDR transactions resulted in a Government debtor of £5,290k, which is included in the Balance Sheet.

Capital Expenditure Summary

Capital Expenditure & Financing Summary 2009/10								
APPROVED GENERAL FUND CAPITAL SCHEMES	BUDGET APPROVED	Spend in 2009/10	Closing Accruals	TOTAL TO FINANCE	Borrowing	Gov Grant, S106 Rec & Contrib.	Revenue Contributions, Cap Rec & Reserves	TOTAL FUNDING
	£	£	£	£	£	£	£	£
SERVICES								
Children & Young People's Services	28,720,164	28,214,989	1,769,847	29,984,836	5,185,093	23,321,363	1,478,380	29,984,836
Adult Social Services	834,840	322,960	0	322,960	21,888	61,610	239,462	322,960
Housing General Fund	3,413,981	2,980,585	109,746	3,090,331	18,410	1,478,830	1,593,091	3,090,331
Finance & Resources and Corporate Services	16,155,599	14,604,238	40,994	14,645,232	12,600,000	23,054	2,022,179	14,645,233
Development & Environment	24,832,488	16,284,402	2,811,701	19,096,103	2,364,620	16,027,440	704,042	19,096,102
	73,957,072	62,407,174	4,732,288	67,139,462	20,190,011	40,912,297	6,037,154	67,139,462
Capital Projects, subject to Full Approval	525,800	0	0	0	0	0	0	0
TOTAL EXPENDITURE	74,482,872	62,407,174	4,732,288	67,139,462	20,190,011	40,912,297	6,037,154	67,139,462

Glossary of Terms and Abbreviations

A

Accounting Period

The period of time covered by the accounts, normally a period of 12 months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

Accruals

Sums included in the final accounts to cover income or expenditure attributable to the accounting period but for which no payment has yet been made or received at the Balance Sheet date.

Actuarial Gains or Losses (Pension Schemes)

The changes in actuarial deficits or surpluses that arise because events have not matched previous assumptions and/or actuarial assumptions have changed.

Amortisation

A term used to refer to the charging of the value of a transaction or asset (usually related to intangible fixed assets or deferred charges) to the Income and Expenditure Account over a period of time, reflecting the value to the authority; similar to the depreciation charge for tangible fixed assets.

Appointed Auditors

External auditors of local authorities appointed by the Audit Commission. They may be from the Commission itself or a major accountancy firm.

Asset

An item having value in monetary terms. *See also Current Assets, Fixed Assets and Financial Asset.*

Audit of Accounts

An independent examination of the Council's financial affairs.

B

Balance Sheet

A statement of the recorded assets, liabilities and other balances at the end of an accounting period.

Billing Authority

A local authority responsible for collecting Council Tax and National Non-Domestic Rates.

Budget

The forecast of net revenue and capital expenditure over an accounting period.

C

Capital Expenditure

Expenditure for the acquisition, provision or improvement of fixed assets, which will be of long-term value to the Council, providing services beyond the current accounting period.

Capital Financing

The raising of money to pay for capital expenditure through borrowing, useable capital receipts, capital grants and contributions or use of reserves.

Capital Financing Requirement (CFR)

The Capital Financing Requirement shows the amount of funds required by the Council as a result of capital investment and resources set aside in the year.

Glossary of Terms and Abbreviations

C

Capital Grants & Contributions Deferred

Grants and developers contributions received toward the financing of capital schemes. These grants and contributions are written out to the Income & Expenditure Account in line with the depreciation of the assets for which they were utilised to finance.

Capital Programme

The capital schemes the Council intends to carry out over a specified time period.

Capital Receipts

Money received from the disposal of fixed assets or the repayment of grants and loans, which is available for financing future capital expenditure.

Cash Flow Statement

A statement which summarises the transactions of the Council in terms of cash inflows and outflows for revenue and capital purposes. For the purposes of this statement, cash is defined as cash in hand and deposits repayable on demand less overdrafts repayable on demand.

Challenge Funding

A process introduced by the Government whereby authorities submit bids for schemes which are judged against other bids in the allocation of capital or grant resources. *See also Single Regeneration Budget*

Collection Fund

A statutory fund maintained by a billing authority, which is used to record local taxes and Non-Domestic Rates collected by the authority, along with payments to precepting authorities, the national pool of Non-Domestic Rates and the billing authority's General Fund

Community Assets

Assets which the Authority intends to hold in perpetuity, that have no determinable finite useful life and that may have restrictions on their disposal, e.g. parks, historical buildings. *See also Fixed Assets.*

Consistency

The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same

Contingency

Money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income.

Contingent Liability

A contingent liability is either:

- a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or
- a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount cannot be measured with sufficient liability.

Council Tax

The main source of local taxation for local authorities. Council Tax is levied on households within its area by the billing authority and the proceeds are paid into the Collection Fund for distribution to precepting authorities and the Authority's General Fund.

Council Tax Benefit

Assistance provided by billing authorities to adults on low incomes to help pay their Council Tax bill. The cost to authorities of council tax benefit is largely met by government grant.

Glossary of Terms and Abbreviations

C

Creditors

Amounts owed by the Authority for works completed, goods received or services rendered before the end of the accounting period but for which payments have not been made.

Current Assets

Assets which can be expected to be consumed or realised during the next accounting period.

Current Liabilities

Amounts which will become due or could be called upon during the next accounting period.

Current Service Cost (Pensions)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Curtailement (Pensions)

An event that reduces the expected years of future service of present employees, or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

D

Debtors

Amounts due to the Authority for works completed, goods received or services rendered before the end of the accounting period but for which payments have not been received.

Deferred Charges – now known as Revenue Expenditure Funded by Capital Under Statute

Expenditure of a capital nature but for which there is no tangible asset, e.g. renovation grants

Deferred Credits

Amounts derived from the sale of assets which are to be received in instalments over agreed periods of time, arising principally from mortgages on the sale of Council houses.

Depreciation

The estimated benefit of an asset consumed during the accounting period, owing to age, wear and tear, deterioration or obsolescence.

Direct Revenue Financing (DRF)

Resources provided from an authority's revenue budget to finance the cost of capital projects.

E

Equity

The Authority's value of total assets less total liabilities.

Equity Instrument

A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Exceptional Items

Events or transactions that fall within the ordinary activities of the Authority and need to be disclosed separately due to their size to give fair presentation of the accounts.

Expected Returns on Assets (Pensions)

The average rate of return, including both income and changes in fair value, but net of scheme expenses, expected over the remaining life of the pension.

Glossary of Terms and Abbreviations

E

External Audit

The independent examination of the activities and accounts of local authorities in order to give an opinion as to whether the Statement of Accounts have been prepared in accordance with legislative requirements and proper practices, and to ensure the authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Extraordinary Items

Abnormal material items, which fall outside the ordinary activities of the Authority and which are not expected to reoccur.

F

Fair Value (FV)

The price an asset could be exchanged for in an arm's length transaction less any grant.

Fees and Charges

Income raised by charging users of services for facilities, e.g. leisure centres, trade refuse, etc.

Finance Leases

A lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee. Accounting guidance requires that it should be presumed that such transfer of risks and rewards occurs if at the inception of a lease the present value of the minimum lease payments including any initial payment, amounts to substantially all (normally 90% or more) of the fair value of the leased asset. The present value is calculated using the interest rate implicit in the lease.

Financial Asset

A right to future economic benefits controlled by the Authority that is represented by:

- cash
- an equity instrument of another entity
- a contractual right to receive cash (or another financial asset) from another entity
- a contractual right to exchange financial assets/liabilities with another entity under conditions that are potentially favourable to the Authority.

Financial Instruments

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Liability

An obligation to transfer economic benefits controlled by the Authority that is represented by:

- a contractual obligation to deliver cash (or another financial asset) to another entity
- a contractual obligation to exchange financial assets/liabilities with another entity under conditions that are potentially unfavourable to the Authority.

Fixed Assets

Assets which can be expected to be of use or benefit the Authority in providing its service for more than one accounting period.

G

General Fund (GF)

The main revenue fund of a billing authority, used to meet day-to-day spending.

Glossary of Terms and Abbreviations

G

Government Grants

Grants made by the Government towards either revenue or capital expenditure to support the cost of provision the Authority's services. These grants may be specifically towards the cost of particular schemes or to support the revenue spend of the Authority.

Gross Expenditure

The total cost of providing the Authority's services before taking into account income from government grants and fees and charges for services.

Growth

Any increase in spending from one year to another which enables the Authority to pay for more services rather than to meet higher costs.

H

Housing Benefit (Rent Allowance)

An allowance to persons on low (or no) income to meet, in whole or part, their rent. Benefit is allowed or paid by local authorities but central government refunds part of the cost of the benefit provided and of the running costs of the service to local authorities.

Housing Revenue Account

A ring-fenced account for the income and expenditure arising from the provision of housing accommodation. The Council disposed of its entire Housing Stock on 6 February 2006 and following consent from DCLG closed this account.

I

Impairment

A reduction in the value of a fixed asset, below its carrying amount on the Balance Sheet.

Income

Amounts that the Authority receives or expects to receive from any source, including fees and charges, sales and grants.

Income and Expenditure Account

The revenue account of the Authority into which precepts, grants and other income is paid and from which the cost of providing services is met.

Individual Schools Budget

That part of the local schools budget which must be delegated to schools via the school's funding formula.

Infrastructure Assets

Fixed assets belonging to the Authority which do not necessarily have a resale value e.g. highways, and for which a useful life span cannot be readily determined.

Intangible Assets

Non-financial assets which do not have physical substance but are identified and controlled by the Authority through legal rights e.g. IT Software.

Interest Costs (Pensions)

The expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Interest Receivable

The money earned from the investment of surplus cash.

Glossary of Terms and Abbreviations

I

Investment Property

Land and Buildings fixed assets held only for investment potential.

J

Joint Arrangement

An arrangement under which the participants engage in joint activities but do not create a legal entity because it would not carry on a trade or business of its own.

L

Liability

A liability is where the Authority owes payment to an individual or another organisation. *See also Contingent Liability, Current Liabilities and Financial Liability*

Liquid Resources

Current asset investments that are readily disposable by the Authority without disrupting its business and are either readily convertible to known amounts of cash, at or close to the carrying amount, or traded in an active market.

Local Management in Schools (LMS)

A system of delegation of management responsibility and budgets to schools, which has applied since 1990/91, introduced by the Education Reform Act 1988.

Local Public Service Agreement (LPSA)

A statement of the aims, objectives and targets to be achieved by public bodies with the funding to be provided through the Comprehensive Spending Review.

M

Materiality

The concept that the Statement of Accounts should include all amounts which, if omitted, or misstated, could be expected to lead to a distortion of the financial statements to a reader.

Minimum Revenue Provision (MRP)

The minimum amount which must be charged to an Authority's revenue account each year and set aside as provision for repayment of debt as required by the Local Government Act 2003.

N

National Non-Domestic Rates (NNDR)

A levy on businesses, based on a national rate in the pound set by the Government, multiplied by the rateable value of the premises they occupy.

Net Book Value (NBV)

The amount at which fixed assets are included in the balance sheet.

Net Debt

The Authority's total borrowings less cash investments.

Net Expenditure

Gross expenditure less specific service income.

Glossary of Terms and Abbreviations

N

Non-Operational Assets

Assets held by the Authority but not directly occupied, used or consumed in the direct delivery of services, e.g. assets in the course of construction and surplus land.

O

Operating Leases

A lease other than a Finance Lease (see above). The future obligations relating to operating leases are disclosed to provide the reader with an estimate of the outstanding un-discharged obligations in relation to such leases.

Operational Assets

Fixed assets held and occupied, used or consumed by the Authority in the direct delivery of those services for which it has a statutory or discretionary responsibility.

Outturn

Actual income and expenditure in a financial year (accounting period).

P

Past Service Costs (Pensions)

The increase in the present value of the defined benefit scheme liabilities, related to employee service in prior periods, arising as a result of, or improvement to, retirement benefits.

Pension Fund

An employees' pension fund maintained by an authority, or group of authorities, in order to make pension payments on the retirement of its participants; it is financed from contributions from the employing authority, the employee and investment income.

Post Balance Sheet Events

Those (non-adjusting) events, both favourable and unfavourable, of such materiality that their disclosure is required for the fair presentation of the Statement of Accounts, which occur between the Balance Sheet date and the date on which the Accounts are signed by the responsible financial officer.

Precept

A levy made by one statutory body (Precepting Authority) on another to meet the net cost of its services.

Precepting Authorities

Those authorities that are not Billing Authorities; i.e. do not collect the Council Tax and National Non-Domestic Rates. Police authorities are 'major' precepting authorities and town and parish councils are 'local' precepting authorities.

Prior Period Adjustments

Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Provisions

Amounts set aside for the purposes of providing for any liability or loss which is likely or certain to be incurred but is uncertain as to the amount or the date on which it will arise, e.g. bad debts.

Glossary of Terms and Abbreviations

P

Prudence

The concept that income should only be anticipated to the extent that it will be received, as cash or other assets, with reasonable certainty and full and proper allowance should be made for all known and foreseeable losses and liabilities.

Prudential Code

The CIPFA Prudential Code for Capital Finance in Local Authorities – the guidance applicable from April 2004 for the greater freedom for authorities to borrow to fund capital investment (under the Local Government Act 2003). This Code requires the Authority to set and monitor a suite of Prudential Indicators, including its Affordable Borrowing Limit, and establish its policy for using the new freedoms.

Public Works Loan Board (PWLB)

A central government agency which provides long and medium-term loans to local authorities at interest rates only slightly higher than those at which the Government itself can borrow. Authorities are able to borrow a proportion of their requirements to finance capital expenditure from this source.

R

Rateable Value

The annual assumed rental value of a hereditament that is used for NNDR purposes.

Revenue Expenditure Funded by Capital Under Statute formally known as Deferred Charges

Expenditure of a capital nature but for which there is no tangible asset, e.g. renovation grants

Related Parties

Two or more parties are related parties when at any time during the financial period:

- One party has direct or indirect control of the other party; or
- The parties are subject to common control from the same source; or
- 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 at all times its own separate interests; or
- 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 separate interest.

Examples of related parties to an authority include Central Government, Local Authorities and other bodies precepting or levying demands on the Council Tax, its Members, its Chief Officers and its Pension Fund.

For individuals identified as related parties, it is also presumed that members of the close family, or the same household, or any partnerships, companies in which the individual or a member of their close family, or the same household has a controlling interest, are deemed to be related parties.

Related Party Transactions

The transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. The materiality of related party transactions is judged not only in terms of their significance to the Authority, but also in relation to its related party.

Reserves

Amounts set aside in the accounts for the purpose of meeting general, future expenditure. Reserves may also be used to smooth the cost of certain activities over a number of years. A distinction is drawn between reserves and provisions (see above), which are set up to meet known liabilities.

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

Glossary of Terms and Abbreviations

R

Revenue Expenditure

Spending on day-to-day items including employees' pay, premises and transport costs and supplies and services.

S

Single Regeneration Budget

One of the Challenge Funding arrangements which subsumed many former grant and credit approval allocations, allowing authorities to bid for comprehensive schemes which aim to address defined issues in partnership. *See also Challenge Funding*

Specific Grants

The term used to describe all government grants, including supplementary and special grants, to local authorities other than Revenue Support Grant and capital grants.

Statement of Movement on the General Fund Balance (SMGFB)

A statement showing the amounts in addition to those in the Income and Expenditure Account which are required by statute and non-statutory proper practices to be charged or credited to the General Fund in determining the movement on the General Fund Balance.

Statement of Total Recognised Gains and Losses (STRGL)

A Statement which brings together all the gains and losses of the Authority for the year and shows the aggregate increase in its net worth.

Supported Borrowing

The amount of Authority borrowing towards which the Government provides financial support through the annual Revenue Support Grant.

Stocks

Items of raw materials and stores an authority has procured to use on a continuing basis and which it has not yet used.

T

Temporary Borrowing

Money borrowed for a period of less than one year.

Total Cost

The actual cost of services reflecting all of the direct, indirect and overhead costs that have been incurred in providing the service, even where the expenditure is not under the control of the service's chief officer.

U

Unsupported (or Prudential) Borrowing

Any borrowing the Authority undertakes that is above and beyond the level of Supported Borrowing which the Government helps to fund and which therefore the Authority has to fund completely from its own resources.

W

Work In Progress

The cost of work carried out on an uncompleted project at the Balance Sheet date, which should be accounted for within the accounting period.

Glossary of Terms and Abbreviations

Abbreviations used in the Statement of Accounts

BVACOP	CIPFA's Best Value Accounting Code of Practice
CIPFA	Chartered Institute of Public Finance and Accountancy
DCLG	Department for Communities and Local Government
DCSF	Department for Children, Schools and Families
DEFRA	Department for Environment, Food & Rural Affairs
GAAP	Generally Accepted Accounting Principles
FRS	Financial Reporting Standard
LAAP	CIPFA's Local Authority Accounting Panel
SoRP	Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice
SSAP	Statement of Standard Accounting Practice