

NORTH SOMERSET COUNCIL

STATEMENT OF ACCOUNTS

2010/11

(including External Audit Opinion)

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Explanatory Foreword

The Statement of Accounts set out in the following pages describe the Council's financial affairs for the year ended 31 March 2011. The format of the accounts follows best practice as defined in the Code of Practice on Local Authority Accounting 2010/11 which for the first year incorporates the requirements of International Financial Reporting Standards. The impact of these standards is set out in further detail in the following section.

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 the understanding of the principle statements.

If any further information or explanation is required, please contact the Financial Management section on 01934 634619.

Changes in Accounting Practice

As highlighted above, this year's accounts are the first produced by the Council in line with International Financial Reporting Standards (IFRS).

In the 2007 Budget, the then-Chancellor of the Exchequer announced that the UK public sector would adopt IFRS as this was seen as best practice and allowed for international comparisons to be made.

The figures included in the 2009/10 accounts that were prepared in accordance with the Statement of Recommended Practice on Local Authority Accounting (the SoRP) and UK GAAP have been restated in accordance with the Code to provide the comparatives in these 2010/11 accounts.

The main changes as a result of IFRS are as set out in the following table:

	Significant Changes	Substantially the Same
Financial Statements	New statements and amended layouts. More flexibility – detail can be in the statements or the notes; terminology can be amended; and the order of the statements can be changed to suit the authority.	New formats consistent with those used in the SoRP where this is possible and helpful.
Purchase of Goods & Services	None.	Everything.
Salaries and Pensions	Untaken holiday pay and similar items accrued for at year-end.	Everything else.
Government Grants & Contributions	Capital grants recognised immediately (unless there are conditions) rather than being deferred and matched to expenditure.	Only the same for capital grants if there are conditions.
Property, Plant & Equipment (Fixed Assets)	More emphasis on component accounting than under UK GAAP. Impairments taken initially to the Revaluation Reserve rather than Income and Expenditure – like revaluation losses. New class of 'Assets Held for Sale'.	Everything else. Expenditure that can be capitalised under IFRS remains unchanged.
PFI	Assets brought onto the balance sheet where the authority controls the asset. Changes made in SoRP 2009 – no change for 2010/11.	
Leases	90% 'test' to separate finance and operating leases removed. Property leases classified and accounted for as separate leases of land and buildings. Need to assess whether other arrangements contain the substance of a lease.	Everything else. IFRS retains the concept of the finance lease / operating lease distinction, and the tests carried out to classify leases are substantially the same.
Financial Instruments	None – IFRS is identical to UK GAAP.	Everything.

Explanatory Foreword

Movement in Reserves Statement (page 11)

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'useable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

The statement shows that the Authority's usable reserves currently stand at £56.454m with £7.505m of this total, represented by the Council's General fund balance. In setting the 2011/12 revenue budget, the Council's assessment of an appropriate level of general non-earmarked reserves was considered to be £7m.

Comprehensive Income and Expenditure Statement (page 12)

This statement shows the accounting cost in the year of providing services in accordance with proper accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves.

The Statement shows that the cost of the Council providing services in 2010/11 was £27.4m greater than its income, largely due to a significant reduction of £66.4m in the value of its assets.

Whilst this statement provides the statutory reporting requirement the Council monitors its budget throughout the year and the year-end position on its revenue budget showed an underspend of £185,000 or 0.13% against its annual budget of £146.187m. The breakdown of this underspend is shown in the table below:

Directorate	Budget £000	Variance £000
Service Areas		
Adult Social Services and Housing	50,564	511
Children & Young People's Services	28,556	235
Development & Environment	37,604	(237)
Finance & Resources	8,441	(789)
Corporate Services Unit	3,320	(101)
Severance Costs	690	1,270
Sub-total - Service Areas	129,175	889
Non Service Areas		
Capital Financing & Interest Budgets (net of statutory accounting transfers)	11,578	(254)
Non Service Budgets	4,445	(71)
Contingency	989	(749)
Sub-total - Non-Service Areas	17,012	(1,074)
TOTAL	146,187	(185)
Funded By		
Council Tax	94,213	0
Formula Grant	51,974	0
	146,187	0

To achieve this net position the Council has had to undertake a significant level of mitigating actions to respond to major cost pressures relating to adult and childrens care (£2.347m) and economic pressures, such as income shortfalls (£2.042m).

In response to the month 3 position earlier in the year, which projected an overspend of £1m, the Council agreed a series of Budget Recovery Plans. These actions were in addition to the mitigation already implemented as a result of the in-year loss of grants following the urgent financial measures introduced by Central Government.

The mitigating action has continued throughout the financial year with Directors agreeing actions which both maximised income streams and introduced cost savings wherever possible and has delivered savings in excess of £6.3m.

Explanatory Foreword

As highlighted above the current economic climate has had a significant effect on the Council's budget. Whilst provision has been made for elements of this cost pressure in the 2011/12 budget, the Council along with all business, cannot be completely certain of the ongoing effect. This is why the Council continues to ensure that the revenue budget allows a degree of contingency, which for 2011/12 is £2.8m.

Balance Sheet (page 13)

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

The first category of reserves are useable reserves, i.e. those that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.

The second category of reserves is those that the Council is not able to use to provide services, including those that hold unrealised gains and losses (e.g. the Revaluation Reserve), those where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

The Balance Sheet at 31 March 2011 shows that the Council manages long term assets of £634m. In 2010/11, the council spent over £57m on capital projects, the major schemes being in Schools and Children's services (£22.8m), Development and Environment (£25.1m), and Housing (£3.5m).

As well as facing reductions in its revenue budget from 2011/12, the Council will also face significant reductions in government allocations for capital spending, particularly in areas such as schools and social housing where reductions of 50% are anticipated. Whilst the Council will seek to identify local investment to deliver high priority projects, it will not be able to meet this gap, and therefore investment in key community assets will reduce over the coming years.

As at 31 March 2011, the amount of expenditure that is currently financed from long term borrowing, either external or internal had reached £110m. The vast majority of 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 £29m, a healthy position being managed proactively.

Cash Flow Statement (page 14)

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

As at 31 March 2011, the level of cash and cash equivalents has fallen by £1.452m from the previous year, although it should be noted that the Council's overall level of current assets still remains over 40% greater than current liabilities, as set out in the previous section.

Avon Pension Fund Reserve

The deficit recorded within the accounts relating to the Avon Pension Fund is currently £133.331m as at 31 March 2011, a reduction of £36.509m from the opening balance of £169.840m. The significant reason for the reduction relates to the Government's decision to uprate pensions in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) which has reduced the deficit by £27.146m.

Looking forward, in 2011/12 the Council, along with other members of the Avon Pension Fund have implemented a change in the way the deficit is recovered. Instead of recovering the deficit as a percentage of current employee remuneration, the Council will pay an absolute sum, thus ensuring that the required deficit payment is made and is not subject to potential underpayment due to falling staff numbers.

Explanatory Foreword

Collection Fund (page 93)

The Collection Fund 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 £694,000 of which £82,000 is due to Avon & Somerset Police, £29,000 is due to the Avon Fire Authority, with the remaining £583,000 being due to North Somerset Council.

In setting its 2011/12 budget, the Council, using latest available estimates, had assumed that there would be a surplus of £500,000 on the Collection fund, that it could use to support its services, and therefore, the outturn position provided the Council with an additional £83,000 which for the time being will go into general non-earmarked reserves.

Council Tax gross debts of £8.238m (from all previous years) were outstanding at the year end, which the Council continues to make every effort to collect. However, provision for non-collection of £4.851m has been made, and included within the accounts. NNDR arrears stood at £5.539m, with a provision of £2.763m included in the accounts for potential bad debts.

Overall Situation and Outlook

Challenging finances are not new to North Somerset Council. We are a low-funded and low-spending authority that has successfully overcome a £17m budget deficit in the period 2008-2010 and the first year of a £19m budget deficit for 2010-2012. The Council therefore has a good track record for performing with limited financial resources, securing an "improving strongly" overall assessment and consistently high service ratings. The PWC benchmarking analysis consistently rates North Somerset as one of the top performing unitary authorities in England.

However, the outcome of the Comprehensive Spending Review and Government Grant Settlement at the end of last year was extremely disappointing, and current projections estimate that the Council will need to save a further £47.3m or £1 in every £3 of its net budget over the next four years. The 2011/12 budget contains £17.5m of savings, and a further £14.4m will be required in 2012/13.

Whilst the Council fully accepts the need for North Somerset to pay its 'fair share' towards the inherited national budget deficit, it does not believe that the Council should pay a disproportionate amount and has already expressed its concerns directly to Ministers at the Department of Communities and Local Government.

As an example, the 2011/12 grant settlement saw £3m of formula funding that should have come to North Somerset be transferred to other Councils, and this number will increase to £4m should the provisional grant settlement for 2012/13 be approved.

Looking further forward, given the level of savings required, it is clear that North Somerset Council will look, feel and operate very differently in the near future. The Council has sought to be 'ahead of the curve' through good forward planning and implementing organisational change, but given these new financial restrictions, much more of this work will be required. To this end the Council has adopted a new organisational approach, which has six key themes:

- **Streamlined** – a smaller, more efficient and responsive strategic council
- **Smarter working** – an organisation that takes a systemic approach to remodelling services, stripping out bureaucracy wherever possible and maximising the use of new systems, technology, buildings and information for the benefit of its customers
- **Self service for residents** – that residents are given the information, tools and opportunities to resolve their affairs with minimal council involvement and interaction, with a clear focus on personal choice
- **Self-supporting communities** – that wherever possible, assets are owned, and services are provided by local communities, for local communities
- **Strategic Partnerships** – that the council works with other organisations through a series of strategic partnership arrangements in order to achieve the best outcomes for local people
- **Stimulating the private and civic sectors** – that the council delivers fewer services directly, and makes best use of the private and civic sectors to provide services locally. That the council stimulates the private and civic sectors to invest locally and add to the vitality, vibrancy and quality of life in North Somerset

Explanatory Foreword

This approach is aimed at achieving service redesign, and that service reduction will only be considered as a last resort. North Somerset is better prepared than many others due to its established programme of prudential financial management, having achieved significant savings across the Council, with further major change programmes in place to deliver more.

Our transformation agenda will fundamentally change the shape and organisational design of the Council and the way we operate. This change is all focused upon enabling us to maintain the quality of services we provide wherever possible, by doing things differently.

This does not mean that communities and residents will not see or feel changes. The scale of the financial challenges is too great to avoid this. However, change will be focused upon streamlining the way we provide services, and most importantly, working more closely, with local communities, the private sector, and civic sector to provide services in more cost effective ways.

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

29 June 2011

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") which requires 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 2011.

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 gives a true and fair view of the financial position of North Somerset Council as at 31 March 2011 and hereby authorise the issue of the accounts.



Phil Hall, IPFA
Director of Finance & Resources
20 September 2011



Cllr Colin Hall
Chairman of the Council
20 September 2011

Movement in Reserves Statement

	Note	Usable Reserves							Unusable Reserves			TOTAL RESERVES £000	
		General Fund Balance £000	LMS School Balances £000	Dedicated Schools Grant £000	Earmarked Revenue Reserves £000	Earmarked Capital Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Revaluation Balances £000	Adjustment Accounts £000		Total Unusable Reserves £000
Balance at 31 March 2009		(9,633)	(5,651)	(1,584)	(20,647)	(4,134)	(15,477)	(3,578)	(60,704)	(336,341)	(50,771)	(387,112)	(447,816)
Movements in Reserves 2009/2010													
(Surplus) / deficit on Provision of Services		5,723	0	0	0	0	0	0	5,723	0	0	0	5,723
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	0	0	(6,827)	46,621	39,794	39,794
Total Comprehensive Income and Expenditure		5,723	0	0	0	0	0	0	5,723	(6,827)	46,621	39,794	45,517
Adjustments between accounting basis & funding basis under regulations	8	(2,347)	0	0	0	0	1,941	1,412	1,006	18,071	(19,077)	(1,006)	0
Net Increase / Decrease before Transfers to Earmarked Reserves		3,376	0	0	0	0	1,941	1,412	6,729	11,244	27,544	38,788	45,517
Transfers to / from Earmarked Reserves	9	(84)	(124)	529	(387)	334	0	0	268	0	(268)	(268)	0
Increase / Decrease in 2009/2010		3,292	(124)	529	(387)	334	1,941	1,412	6,997	11,244	27,276	38,520	45,517
Balance at 31 March 2010		(6,341)	(5,775)	(1,055)	(21,034)	(3,800)	(13,536)	(2,166)	(53,707)	(325,097)	(23,495)	(348,592)	(402,299)
Movements in Reserves 2010/2011													
(Surplus) / deficit on Provision of Services		(23,504)	0	0	0	0	0	0	(23,504)	0	0	0	(23,504)
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	0	0	66,379	(15,473)	50,906	50,906
Total Comprehensive Income and Expenditure		(23,504)	0	0	0	0	0	0	(23,504)	66,379	(15,473)	50,906	27,402
Adjustments between accounting basis & funding basis under regulations	8	16,541	0	0	0	0	5,556	(1,374)	20,723	11,744	(32,467)	(20,723)	0
Net Increase / Decrease before Transfers to Earmarked Reserves		(6,963)	0	0	0	0	5,556	(1,374)	(2,781)	78,123	(47,940)	30,183	27,402
Transfers to / from Earmarked Reserves	9	5,799	(672)	(56)	(4,537)	327	(827)	0	34	0	(34)	(34)	0
Increase / Decrease in 2010/2011		(1,164)	(672)	(56)	(4,537)	327	4,729	(1,374)	(2,747)	78,123	(47,974)	30,149	27,402
Balance at 31 March 2011 - carried forward		(7,505)	(6,447)	(1,111)	(25,571)	(3,473)	(8,807)	(3,540)	(56,454)	(246,974)	(71,469)	(318,443)	(374,897)

Comprehensive Income and Expenditure Statement

2009/10				Note	2010/2011		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
80,185	(23,327)	56,858			Adult Social Care		84,206
17,770	(13,818)	3,952	Central Services to the Public		17,564	(14,576)	2,988
224,819	(167,032)	57,787	Children's and Education Services		239,351	(182,346)	57,005
63,699	(25,951)	37,748	Cultural, Environmental, Regulatory and Planning Services		51,504	(17,562)	33,942
13,749	(3,569)	10,180	Highways and Transport Services		20,815	(6,105)	14,710
62,392	(59,490)	2,902	Housing Services		65,866	(61,861)	4,005
7,792	(1,628)	6,164	Corporate and Democratic Core		7,247	(132)	7,115
2,763	0	2,763	Non Distributed Costs	6	2,384	(28,552)	(26,168)
473,169	(294,815)	178,354	Cost of Services	30	488,937	(335,315)	153,622
3,568	(1,475)	2,093	Other operating expenditure	10	5,141	0	5,141
32,049	(17,355)	14,694	Financing and investment income and expenditure	11	33,444	(19,998)	13,446
0	(189,418)	(189,418)	Taxation and non-specific grant income	12	0	(195,713)	(195,713)
508,786	(503,063)	5,723	(Surplus) / Deficit on Provision of Services		527,522	(551,026)	(23,504)
		(6,904)	(Surplus) / deficit on revaluation of non-current assets	6			66,372
		77	(Surplus) / deficit on revaluation of available-for-sale financial assets	28.3			7
		46,621	Actuarial (gains) / losses on pension assets and liabilities	28.7			(15,473)
		39,794	Other Comprehensive Income and Expenditure				50,906
		45,517	Total Comprehensive Income and Expenditure				27,402

Balance Sheet

1 April 2009 £000	31 March 2010 £000		Note	31 March 2011 £000
579,793	605,463	Property, Plant and Equipment	13	537,930
8,647	9,746	Other Land and Buildings		13,016
34,252	46,694	Vehicles, Plant, Furniture and Equipment		58,372
2,573	3,248	Infrastructure Assets		3,813
20,079	7,602	Community Assets		0
134	1	Assets Under Construction		0
5,006	6,604	Surplus Assets not held for sale		6,262
11,552	6,666	Investment Property	14	13,224
1,484	1,432	Long Term Investments	15	1,654
		Long Term Debtors	16	
663,520	687,456	Long Term Assets		634,271
103,061	90,180	Short Term Investments	18	64,739
0	0	Assets Held for Sale	22	609
68	91	Inventories	19	66
21,951	30,700	Short Term Debtors	20	28,522
0	238	Cash and Cash Equivalents	21	0
125,080	121,209	Current Assets		93,936
(2,004)	0	Cash and Cash Equivalents	21	(1,214)
(3,561)	(7,563)	Short Term Borrowing	18	(6,602)
(46,587)	(47,736)	Short Term Creditors	23	(42,596)
(1,016)	(569)	Provisions	24	(1,446)
(10,715)	(25,466)	Capital Grants Receipts in Advance	42	(13,311)
(63,883)	(81,334)	Current Liabilities		(65,169)
(14)	(9)	Long Term Creditors	17	(5)
(2,800)	(2,206)	Provisions	24	(2,063)
(109,668)	(107,329)	Long Term Borrowing	18	(110,095)
(19,996)	(19,196)	Long-Term Liabilities - Ex Avon Debt	26	(18,428)
(144,089)	(196,069)	Pension Liabilities	48	(157,450)
(334)	(222)	Other Long Term Liabilities	45	(100)
(276,901)	(325,031)	Long Term Liabilities		(288,141)
447,816	402,300	Net Assets		374,897
(60,704)	(53,706)	Usable Reserves	27	(56,454)
(387,112)	(348,594)	Unusable Reserves	28	(318,443)
(447,816)	(402,300)	Total Reserves		(374,897)

Cash Flow Statement

31 March 2010 £000		Note	31 March 2011 £000
5,723	Net (surplus) / deficit on the provision of services		(23,504)
(3,570)	Adjustments to the net surplus / deficit on the provision of services for non-cash movements	29.1	18,127
2,594	Adjustments for items included in the provision of services that are investing or financing activities	29.2	3,675
4,747	Net cash flows from Operating Activities	29.3	(1,702)
(11,156)	Investing Activities	29.4	6,933
4,167	Financing Activities	29.5	(3,779)
(2,242)	Net (increase) / decrease in cash and cash equivalents		1,452
(2,004)	Cash and cash equivalents at the beginning of the reporting period	21	238
238	Cash and cash equivalents at the end of the reporting period	21	(1,214)

Notes to the Statement of Accounts

The following notes are included to aid the reader in the interpretation of the core financial statements:

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Notes to the Statement of Accounts

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the financial year 2010/2011 and its position at the year-end of 31 March 2011. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which are required to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the Code) and the Best Value Accounting Code of Practice 2010/11 (BVACOP), supported by International Financial Reporting Standards (IFRS).

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

ii. Accruals of Income and Expenditure

The Council operates its revenue and capital accounts on an accruals basis; activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the percentage of completion of the transaction can be measured reliably and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 30 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

iv. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately on the face of the Consolidated Income and Expenditure Statement, with supporting notes dependent on the significance of the item(s) to understanding the Council's financial performance.

Notes to the Statement of Accounts

v. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

vi. Charges to Revenue for Non-Current Assets

To record the cost of holding non-current assets during an accounting period, services, support services and trading accounts are debited with:

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

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

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

vii. Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which the employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu), earned by employees but not taken before the year-end which employees can carry forward into the next financial year.

The accrual is made at the wage or salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensions and any such amounts payable but unpaid at the year-end.

Notes to the Statement of Accounts

Post Employment Benefits

The entries in the Statement of Accounts in respect of post employment benefits are made in accordance with *IAS19 Employee Benefits*. Although a complex accounting standard, it is based on the simple principle that an organisation should account for post employment 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 Education (DfE).
- 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.

However, the arrangements for the Teachers' Scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

a) 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
 - unquoted securities - professional estimate
 - unlisted securities - average of the bid and offer rates
 - property - market value
- 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 Comprehensive Income and Expenditure Statement to the 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 Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

Notes to the Statement of Accounts

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 or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

Actuarial gains and losses – changes in the net 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 Pensions Reserve

Contributions paid to the fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Statutory provisions require the General Fund Balance to be charged only with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

b) 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 (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

c) 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 the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement.

viii. Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

ix. Financial Instruments

Financial Liabilities

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

Notes to the Statement of Accounts

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain / 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 Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial Assets are classified into two types:

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

a) Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. 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 (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement 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 relevant service or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the assets original effective interest rate.

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

b) Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the 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 Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Notes to the Statement of Accounts

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 price – 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 Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets line in the Comprehensive Income and Expenditure Statement. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale 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 (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for Sale Reserve

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

x. Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Notes to the Statement of Accounts

xi. Intangible Assets

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

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xii. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the 'First In, First Out' costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

xiii. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income and Expenditure line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xiv. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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

Notes to the Statement of Accounts

The Authority as Lessee

a) Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

b) Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent free period at the commencement of the lease).

The Authority as Lessor

a) Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Notes to the Statement of Accounts

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

b) Operating Leases

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

xv. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11* (BVACOP). 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, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

xvi. Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

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

Notes to the Statement of Accounts

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement. The Capital Adjustment Account provides a balancing mechanism between rate at which assets are depreciated and financed through the capital controls system.

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (EUV)

Where there is not market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

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

Revaluation

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

Where decreases in value are identified they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

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.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Notes to the Statement of Accounts

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

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.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over the useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Where an asset has a finite useful life in its existing use, it will be depreciated based on the valuation of the asset at 1 April each year calculated on the following bases:

- other land and buildings – straight-line allocation over the useful life of the property as estimated by the valuer (between 2 and 60 years)
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer (between 1 and 10 years)
- infrastructure – straight-line allocation over the estimated useful life of the asset (between 20 and 60 years)
- surplus assets not held for sale – straight-line allocation over the useful life of the property as estimated by the valuer (between 2 and 60 years)

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.

Where an item of Property, Plant and Equipment asset which has a value in excess of £0.5m, and has major components whose cost is greater than 20% of the total cost of the asset, the components are depreciated separately.

Depreciation is provided on an appropriate basis according to the asset class of the component which may be different to the class of the overall asset.

Components could be:

- separate blocks / buildings within an overall asset site
- specific elements which form part of the overall asset e.g. roof, engineering, sub-structures, etc.

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.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

Notes to the Statement of Accounts

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Held for Sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the 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 General Fund Balance in the Movement in Reserves Statement.

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

xvii. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

a) Landfill Allowance Schemes

Landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority (WDA) are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant.

After initial recognition, allowances are measured at the lower of cost and net realisable value.

As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination). The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

Notes to the Statement of Accounts

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

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

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

xviii. 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 out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are maintained to manage specific accounting processes for non-current assets, financial instruments, retirement and employee and post employment benefits and do not represent useable resources for the Council – these reserves are explained in the relevant policies.

xix. Revenue Expenditure Funded from Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is not impact on the level of Council Tax.

xx. VAT

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

xxi. 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.

xxii. Allocation between Current and Non-Current

With the exception of employee entitlements, the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid. The asset or liability is classified as current if it is expected to be turned over within the next 12 months, being the Council's operational cycle. For employee entitlements, all annual leave entitlement is classified as current.

Notes to the Statement of Accounts

2. First Time Adoption of International Financial Reporting Standards (IFRS)

These are the Council's first financial statements prepared in accordance with International Financial Reporting Standards (IFRS). The date of transition to IFRS is 1 April 2009.

The Council's IFRS accounting policies presented in Note 1 have been applied in preparing the financial statements for the year ended 31 March 2011, the comparative information and the opening balance sheet at the date of transition.

The Council has applied the IFRS 1 First-time Adoption of International Financial Reporting Standards in preparing these first IFRS compliant financial statements, except in cases where interpretations or adaptations to fit the public sector, have been prescribed by the Code of Practice on Local Authority Accounting (The Code). Material differences between amounts presented under the SORP 2009 and the IFRS-based Code are explained below.

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

2.1 Short Term Accumulating Absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Council. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the Council is required to accrue to any annual leave earned but not taken at 31 March each year. Under previous accounting arrangements, no such accrual was required.

The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

2.2 Leases

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or as a finance lease where it was previously treated as an operating lease.

For leases entered into after 1 April 2010, where the Council is Lessor, new arrangements will necessitate revenue being accounted for in accordance with the code. However, for existing arrangements prior to that date, where the Council is a Lessor, and where Operating Leases are reclassified to Finance Leases under the Code, statutory guidance permits the amount now recognised as a capital receipt to be retained in the General Fund. Therefore, the Council will report a transfer to the General Fund from the Capital Receipts Reserve in the Movement In Reserves Statement.

Finance Leases – Vehicles, Plant & Equipment (Council is Lessee)

Under previous accounting arrangements certain leases of equipment were classified as operating leases. These leases are finance leases under the IFRS Code. The effect is to increase property, plant and equipment at the date of transition by £0.688m and by £0.485m at 31 March 2010, and to increase finance lease liabilities by £0.649m (of which £0.315m is current) at the date of transition. At 31 March 2010 finance lease liabilities increased by £0.438m (of which £0.216m is current). The effect on the CIES for 2009/10 is to increase depreciation charges by £0.249m increase finance costs by £0.061m and decrease service expenditure by £0.292m (with the lease repayments previously accounted for as operating leases).

Notes to the Statement of Accounts

2.3 Capital Grants and Contributions

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the Opening 1 April 2009 Balance Sheet.
- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- Grants were received in 2009/10 but not used. Previously, no income was recognised in respect of these grants, which was shown in the Grants Unapplied Account within the Liabilities section of the Balance Sheet. Following the change in accounting policy, the grant has been recognised in full, and transferred to the Capital Grants Unapplied Account within the Reserves section of the Balance Sheet.

2.4 Other

Other movements predominantly relate to reclassifications of Property Plant and Equipment, Investment Property and Surplus Assets not held for disposal and the related revaluation adjustments in respect of those reclassifications.

The tables on the following pages summarise the significant movements described above.

Notes to the Statement of Accounts

Table 1 – Reconciliation of Net Worth reported under previous GAAP to Net Worth under IFRS at the date of transition (1 April 2009)

	Previous	Effect of transition to IFRS				IFRS £000
	GAAP £000	Absences £000	Leases £000	Grants £000	Other £000	
Property, Plant & Equipment						
Other Land and Buildings	579,645	0	0	0	148	579,793
Vehicles, Plant, Furniture and Equipment	7,959	0	688	0	0	8,647
Infrastructure Assets	34,252	0	0	0	0	34,252
Community Assets	2,573	0	0	0	0	2,573
Assets Under Construction	20,079	0	0	0	0	20,079
Surplus Assets not held for sale	4,133	0	0	0	(3,999)	134
Investment Property	5,154	0	0	0	(148)	5,006
Long Term Investments	11,552	0	0	0	0	11,552
Long Term Debtors	1,309	0	175	0	0	1,484
Long Term Assets	666,656	0	863	0	(3,999)	663,520
Short Term Investments	103,061	0	0	0	0	103,061
Inventories	68	0	0	0	0	68
Short Term Debtors	22,382	0	102	0	(533)	21,951
Cash & Cash Equivalents	3,994	0	0	0	(3,994)	0
Current Assets	129,505	0	102	0	(4,527)	125,080
Cash & Cash Equivalents	(5,998)	0	0	0	3,994	(2,004)
Short Term Borrowing	(3,561)	0	0	0	0	(3,561)
Short Term Creditors	(50,692)	(4,234)	(320)	8,659	0	(46,587)
Provisions	0	0	0	0	(1,016)	(1,016)
Capital Grants Receipts in Advance	0	0	0	(10,715)	0	(10,715)
Grants Unapplied	(16,164)	0	0	16,164	0	0
Current Liabilities	(76,415)	(4,234)	(320)	14,108	2,978	(63,883)
Long Term Creditors	0	0	(14)	0	0	(14)
Provisions	(3,816)	0	0	0	1,016	(2,800)
Long Term Borrowing	(109,668)	0	0	0	0	(109,668)
Long-Term Liabilities - Ex Avon Debt	(19,996)	0	0	0	0	(19,996)
Pension Liabilities	(144,089)	0	0	0	0	(144,089)
Other Long Term Liabilities	(372)	0	(334)	0	372	(334)
Capital Grants and Contributions Deferred	(94,466)	0	0	94,466	0	0
Long Term Liabilities	(372,407)	0	(348)	94,466	1,388	(276,901)
NET ASSETS	347,339	(4,234)	297	108,574	(4,160)	447,816
Represented by:						
Usable Reserves	(46,954)	0	(175)	(14,108)	533	(60,704)
Unusable Reserves	(300,385)	4,234	(122)	(94,466)	3,627	(387,112)
TOTAL RESERVES	(347,339)	4,234	(297)	(108,574)	4,160	(447,816)

Notes to the Statement of Accounts

Table 2 – Reconciliation of Net Worth reported under previous GAAP to Net Worth under IFRS at the end of the latest period presented in the most recent financial statements (31 March 2010)

	Previous	Effect of transition to IFRS				IFRS £000
	GAAP £000	Absences £000	Leases £000	Grants £000	Other £000	
Property, Plant & Equipment						
Other Land and Buildings	605,595	0	0	0	(132)	605,463
Vehicles, Plant, Furniture and Equipment	9,261	0	485	0	0	9,746
Infrastructure Assets	47,886	0	0	0	(1,192)	46,694
Community Assets	3,248	0	0	0	0	3,248
Assets Under Construction	7,602	0	0	0	0	7,602
Surplus Assets not held for sale	4,000	0	0	0	(3,999)	1
Investment Property	4,762	0	0	0	1,842	6,604
Long Term Investments	6,666	0	0	0	0	6,666
Long Term Debtors	1,261	0	171	0	0	1,432
Long Term Assets	690,281	0	656	0	(3,481)	687,456
Short Term Investments	90,180	0	0	0	0	90,180
Inventories	91	0	0	0	0	91
Short Term Debtors	31,894	0	75	0	(1,269)	30,700
Cash & Cash Equivalents	238	0	0	0	0	238
Current Assets	122,403	0	75	0	(1,269)	121,209
Short Term Borrowing	(7,563)	0	0	0	0	(7,563)
Short Term Creditors	(49,655)	(4,247)	(221)	6,387	0	(47,736)
Provisions	0	0	0	0	(569)	(569)
Capital Grants Deferred	(129,801)	0	0	129,801	0	0
Capital Grants Receipts in Advance	0	0	0	(25,466)	0	(25,466)
Grants Unapplied	(31,118)	0	0	31,118	0	0
Current Liabilities	(218,137)	(4,247)	(221)	141,840	(569)	(81,334)
Long Term Creditors	0	0	(9)	0	0	(9)
Provisions	(2,775)	0	0	0	569	(2,206)
Long Term Borrowing	(107,329)	0	0	0	0	(107,329)
Long-Term Liabilities - Ex Avon Debt	(19,196)	0	0	0	0	(19,196)
Pension Liabilities	(196,069)	0	0	0	0	(196,069)
Other Long Term Liabilities	0	0	(222)	0	0	(222)
Long Term Liabilities	(325,369)	0	(231)	0	569	(325,031)
NET ASSETS	269,178	(4,247)	279	141,840	(4,750)	402,300
Represented by:						
Usable Reserves	(42,767)	13	(170)	(12,038)	1,256	(53,706)
Unusable Reserves	(226,411)	4,247	(110)	(129,471)	3,151	(348,594)
TOTAL RESERVES	(269,178)	4,260	(280)	(141,509)	4,407	(402,300)

Notes to the Statement of Accounts

Table 3 – Reconciliation to Total Comprehensive Income and Expenditure under IFRS for the latest period in the most recent annual financial statements (Year ended 31 March 2010)

	Previous	Effect of transition to IFRS				IFRS £000
	GAAP £000	Absences £000	Leases £000	Grants £000	Other £000	
Central Services to the Public	3,483	(34)	0	(2)	505	3,952
Cultural, Environmental, Regulatory & Planning Services	37,385	(110)	(23)	(1,572)	2,069	37,749
Childrens & Education Services	54,390	153	(20)	3,283	(19)	57,787
Adult Social Care	53,606	4	0	2,523	725	56,858
Highways, Roads & Transport	10,224	0	0	0	(44)	10,180
Other Housing Services	2,901	0	0	199	(198)	2,902
Corporate & Democratic Core	6,696	0	0	0	(532)	6,164
Non Distributed Costs	3,088	0	0	0	(325)	2,763
Net Cost of Continuing Operations	171,773	13	(43)	4,431	2,181	178,355
Other Operating Expenditure	2,881	0	0	0	(789)	2,092
Financing & Investment Income & Expenditure	16,303	0	61	0	(1,670)	14,694
Taxation and non-specific grant income	(152,051)	0	0	(37,367)	0	(189,418)
Surplus / Deficit on the Provision of Services	38,906	13	18	(32,936)	(278)	5,723
Surplus / Deficit on revaluation of non current assets	(7,444)	0	0	0	540	(6,904)
Surplus / Deficit on revaluation of available-for-sale financial assets	77	0	0	0	0	77
Actuarial gains / losses on pension assets and liabilities	46,621	0	0	0	0	46,621
Total Other Comprehensive Income & Expenditure	39,254	0	0	0	540	39,794
TOTAL COMPREHENSIVE INCOME & EXPENDITURE	78,160	13	18	(32,936)	262	45,517

3. Accounting Standards Not Yet Adopted

The Council is required to disclose information relating to the impact of an accounting change on the financial statements as a result of adoption by The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) of a new standard that has been issued but is not yet required to be adopted.

The 2011/12 Code introduces a change in accounting policy arising from the adoption of FRS30 Heritage Assets, which will need to be adopted fully in the 2011/12 financial statements. However, the Council is required to disclose the estimated effect of the new standard in these (2010/11) financial statements.

3.1 Heritage Assets

Heritage assets are non-current assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained by the Council principally for their contribution to knowledge or culture.

The heritage assets held by the Council are collections of assets and artefacts either exhibited or stored as part of the North Somerset Museum collection. The art works within the collection are currently accounted for at depreciated historical cost and classified as Community Assets within Property, Plant and Equipment in the Balance Sheet. The value in the Balance Sheet at 31 March 2011 for the art work is £0.200m.

The remaining assets within the collections are not currently recognised in the financial statements as no information is available on the costs of these assets. However, details are kept for inventory and insurance purposes, with an estimated insurance value of £2.050m.

Notes to the Statement of Accounts

The Code will require that Heritage Assets are disclosed separately on the face of the Balance Sheet, measured at valuation, in the 2011/12 financial statements (including the 2010/11 comparative information). The 2011/12 Code will permit some relaxations in the valuation requirements of Heritage Assets and this will mean that the Council is able to recognise more of its Heritage Assets in the Balance Sheet.

Whilst the Council anticipates it will be able to recognise more of the collections in the Balance Sheet, it is unlikely to be able to recognise all of these assets within the financial statements as obtaining valuations for some items may be difficult or costly.

4. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There remains uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of services provision.
- In May 2008 the Council deposited £3m with the Icelandic bank Landsbanki which is now in administration. A decision has recently been reached which determined that the Council will have the status of a preferential creditor which will result in the partial recovery of the investment. Legal advice has been obtained to support a judgement that this status will be secured and that 95% of the full amount will be recovered.

5. Assumptions and Other Major Sources of Estimation

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Property, Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, which would bring into doubt the useful lives assigned to assets.

If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by approximately £0.6m for each year should ever useful lives be decreased in such a way. The Council's assumptions in respect of both impairment of assets and basis of valuations is described in Note 13.5, page 45.

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of the Local Government Pension Scheme of £7.570m, and a decrease of £0.270m of the Teachers Pension Scheme.

Arrears

At 31 March 2011, the Council had a balance of sundry debtors for £7.436m. Impairment of doubtful debts is provided at varying levels dependent on the age of debt and experience of collection. However, in the current economic climate it is not certain that such an allowance will be sufficient.

If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £0.280m to be set aside as an allowance.

Notes to the Statement of Accounts

Allowances for bad/doubtful debts (non-financial assets)

Allowances for bad/doubtful debts have been calculated on the following bases:

Rent Allowances and Rent Rebate Overpayments – 100% for outstanding debt more than 1 year, 75% for outstanding debt raised in 2010/11.

Council Tax and National Non-Domestic Rates (Collection Fund) – allowance is based on an analysis of the recovery stage reached by the Council's contractor in collection sums due. These range from a 2% allowance for debt where a bill has only been raised within the last month, a 40% to 45% allowance where a summons has been issued and Liability Order raised, a 75% to 80% allowance where the debtor has been referred to the Bailiffs and a 100% allowance where there is no trace of the debtor concerned.

6. Material Items of Income and Expense

The £28.552m credited to Non Distributed Costs in the Comprehensive Income and Expenditure Statement relates to the past service gain arising from changes in the framework of the Local Government Pension Scheme. Further details on the Scheme are provided in Note 48, page 80.

Other Comprehensive Income and Expenditure has been charged with £66.372m due to a downwards revaluation in the value of Land and Buildings (Property, Plant & Equipment). Further details are provided in Note 13.5, page 45.

7. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Assistant Director of Finance and Resources on 30 June 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statement and notes have been adjusted in all material respects to reflect the impact of this information.

Academy Schools

At the Balance Sheet date a number of schools were in the process of considering transferring from Council control to Academy status, the result of which is that these schools will be written out of the Council's accounts at the date that transfer takes place.

All such disposals will be reflected at nil consideration. The table below shows the net book value and estimated revenue costs / income that will be removed from the 2011/12 Statement of Accounts.

School	Date of Transfer	Net Book Value at 31-Mar-11 £000	2010/11	
			Gross Expenditure £000	Gross Income £000
Backwell Comprehensive School	01-May-11	24,443	8,221	8,424
Wyvern Community School	01-May-11	16,885	4,829	4,897
Gordano Comprehensive School	01-Jul-11	32,711	9,184	9,656
Churchill Comprehensive School	01-Aug-11	21,371	7,389	7,677
Priory Community School	17-Aug-11	21,829	6,029	6,302
		117,239	35,652	36,956

Notes to the Statement of Accounts

8. Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

2010/2011 ADJUSTMENTS	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(29,299)	0	0	29,299
Revaluation losses on Property, Plant and Equipment	(12,235)	0	0	12,235
Movements in the market value of Investment Properties	314	0	0	(314)
Capital grants and contributions applied	32,659	0	0	(32,659)
Revenue expenditure funded from capital under statute	(5,025)	0	0	5,025
Non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(4,292)	0	0	4,292
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for repayment of debt	5,451	0	0	(5,451)
Capital expenditure charged against General Fund Balances	874	0	0	(874)
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,504	0	(1,504)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	130	(130)
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,848	(2,848)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	8,438	0	(8,438)
Transfer from Deferred Capital Receipts Reserve on receipt of cash	0	(34)	0	34
Adjustments primarily involving the Financial Instruments Adjustment Account				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	777	0	0	(777)
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	7,707	0	0	(7,707)
Employer's pension contributions and direct payments to pensioners payable in the year	15,438	0	0	(15,438)
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(837)	0	0	837
Adjustments primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	657	0	0	(657)
TOTAL ADJUSTMENTS	16,541	5,556	(1,374)	(20,723)

Notes to the Statement of Accounts

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
2009/2010 ADJUSTMENTS				
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(40,946)	0	0	40,946
Revaluation losses on Property, Plant and Equipment	(1,130)	0	0	1,130
Movements in the market value of Investment Properties	1,670	0	0	(1,670)
Amortisation of intangible assets	0	0	0	0
Capital grants and contributions applied	38,657	0	0	(38,657)
Revenue expenditure funded from capital under statute	(3,691)	0	0	3,691
Non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,118)	0	0	1,118
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for repayment of debt	5,524	0	0	(5,524)
Capital expenditure charged against General Fund Balances	1,234	0	0	(1,234)
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	844	0	(844)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	2,256	(2,256)
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,550	(2,550)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	4,535	0	(4,535)
Transfer from Deferred Capital Receipts Reserve on receipt of cash	0	(44)	0	44
Adjustments primarily involving the Financial Instruments Adjustment Account				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(1,021)	0	0	1,021
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(20,576)	0	0	20,576
Employer's pension contributions and direct payments to pensioners payable in the year	15,217	0	0	(15,217)
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	452	0	0	(452)
Adjustments primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(13)	0	0	13
TOTAL ADJUSTMENTS	(2,347)	1,941	1,412	(1,006)

Notes to the Statement of Accounts

9. Transfers To / From Earmarked Reserves

Earmarked Revenue 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 delayed, 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.

The Council also holds Earmarked Capital Reserves. They have been established on the same basis as the revenue reserves described 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 1</i>	<i>Transfers</i>	<i>Transfers</i>	<i>Balance 31</i>	<i>Transfers</i>	<i>Transfers</i>	<i>Balance</i>
	<i>April 2009</i>	<i>Out</i>	<i>In</i>	<i>March</i>	<i>Out</i>	<i>In</i>	<i>31 March</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Earmarked Revenue Reserves							
<u>Corporate Reserves</u>							
Insurance Reserves	(3,745)	662	(329)	(3,412)	180	(358)	(3,590)
Other Corporate Reserves	(1,665)	315	(971)	(2,321)	774	(3)	(1,550)
<u>Directorate Reserves</u>							
Adult Social Services & Housing	(614)	311	0	(303)	229	(1,674)	(1,748)
Children & Young Peoples' Services	(81)	59	(297)	(319)	235	(1,956)	(2,040)
Corporate Services Unit	(779)	363	(231)	(647)	106	(2,384)	(2,925)
Development & Environment	(1,486)	1,125	(1,299)	(1,660)	1,148	(2,699)	(3,211)
Finance & Resources	(1,301)	330	(1,027)	(1,998)	1,472	(999)	(1,525)
Sold Flats Sinking Fund (ex-HRA)	(446)	0	(56)	(502)	0	(59)	(561)
<u>Directorate Earmarked Revenue Grants Reserves</u>							
Adult Social Services & Housing	(3,097)	2,670	(97)	(524)	91	(1)	(434)
Children & Young Peoples' Services	(936)	1,412	(1,426)	(950)	48	(155)	(1,057)
Corporate Services Unit	(44)	0	(190)	(234)	190	0	(44)
Development & Environment	(6,360)	1,524	(3,328)	(8,164)	3,302	(2,024)	(6,886)
Finance & Resources	(93)	110	(17)	0	0	0	0
Total Earmarked Revenue Reserves	(20,647)	8,881	(9,268)	(21,034)	7,775	(12,312)	(25,571)
Earmarked Capital Reserves							
General Capital Reserve	(3,255)	0	0	(3,255)	0	0	(3,255)
Earmarked Capital Reserve	(872)	327	0	(545)	328	0	(217)
Major Repairs Reserve	(7)	7	0	0	0	0	0
Total Earmarked Capital Reserves	(4,134)	334	0	(3,800)	328	0	(3,472)

Notes to the Statement of Accounts

The purpose of each of the above reserves is as follows:

Reserve	Purpose
Insurance Reserves	See Note 25, Page 53.
Other Corporate Reserves	Major items include the Environmental Warranties Reserve and the Financial Impairment Reserve.
Adult Social Services & Housing Reserves	The major reserve relate4s to funding for the Electronic Data Records Management (EDRM) project within the directorate.
Children & Young Peoples' Services Reserves	Includes carried forward surpluses created by trading services and funding for ICT projects.
Corporate Services Unit Reserves	Includes a reserve 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 Reserves	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 reserve held by the directorate relates to anticipated future costs arising in the areas of Revenues and Benefits and Property and Asset Management.
Sold Flats Sinking Fund (ex-HRA)	Monies held in sinking funds to be used for repairs at leasehold properties.
Directorate Earmarked Revenue Grants Reserves	Balances of revenue grants received for specific projects which are yet to be applied.
General Capital Reserve	A general reserve available to finance approved capital expenditure.
Earmarked Capital Reserve	A number of specific capital reserves earmarked for use in delivery of approved capital investment projects.
Major Repairs Reserve	The residual balance of a specific capital reserve earmarked for financing approved capital projects.(now incorporated into the General Capital Reserve).

10. Other Operating Expenditure

	2009/10 £000	2010/11 £000
Parish Council Precepts	3,301	3,418
Other Precepts and Levies	235	244
Payments to the Government Housing Capital Receipts Pool	33	24
(Gains) / losses on the disposal of non-current assets	(1,476)	1,455
Total	2,093	5,141

11. Financing and Investment Income and Expenditure

	2009/10 £000	2010/11 £000
Interest payable and similar charges	7,615	7,095
Pension interest cost and expected return on pensions assets	11,967	8,460
Interest receivable and similar income	(3,218)	(1,820)
Income and expenditure in relation to Investment Properties and changes in their fair value	(1,670)	(314)
Other financing & investment income and expenditure	0	25
Total	14,694	13,446

Notes to the Statement of Accounts

12. Taxation and Non-Specific Grant Income

	2009/10	2010/11
	£000	£000
Council Tax income	(90,504)	(93,375)
Non-domestic rates	(40,827)	(45,385)
Non-ringfenced government grants	(20,676)	(22,037)
Capital grants and contributions	(37,411)	(34,916)
Total	(189,418)	(195,713)

The total for non-ringfenced government grants is comprised of:

	2009/10	2010/11
	£000	£000
Revenue Support Grant	(9,423)	(6,590)
Area Based Grant	(11,058)	(15,447)
Local Authority Business Growth Incentive	(195)	0
Total	(20,676)	(22,037)

During the year the Council agreed to fund service expenditure from Area Based Grant as follows:

	2009/10	2010/11
	£000	£000
Development and Environment	1,248	919
Adult Social Services	5,145	10,571
Children and Young Peoples Services	4,565	3,783
Other Priorities	100	174
Total	11,058	15,447

Notes to the Statement of Accounts

13. Property, Plant and Equipment

13.1 Movement on Balances

<u>Movements in 2010/2011</u>	<i>Land & Buildings £000</i>	<i>Infrastructure Assets £000</i>	<i>Community Assets £000</i>	<i>Vehicles, Plant & Equipment £000</i>	<i>Assets Under Construction £000</i>	<i>Surplus Assets £000</i>	<i>Total Property, Plant & Equipment £000</i>
Cost or Valuation							
At 1 April 2010	668,958	59,304	3,943	17,741	7,602	1	757,549
Additions	29,321	17,364	606	5,072	0	0	52,363
Revaluations - Revaluation Reserve	(91,077)	0	0	0	0	0	(91,077)
Revaluations - CI&ES	(12,206)	0	(3)	0	0	0	(12,209)
Derecognition - disposals	(2,500)	0	0	(704)	0	0	(3,204)
Reclassified (to) / from Held for Sale	(1,633)	0	0	0	0	0	(1,633)
Other movements in cost or valuation	7,602	0	0	0	(7,602)	(1)	(1)
At 31 March 2011	598,465	76,668	4,546	22,109	0	0	701,788
Accumulated Depreciation & Impairment							
At 1 April 2010	(63,495)	(12,610)	(695)	(7,995)	0	0	(84,795)
Depreciation for the year	(20,277)	(1,430)	(38)	(1,802)	0	0	(23,547)
Depreciation written out - Revaluation Reserve	26,247	0	0	0	0	0	26,247
Impairment (Losses) / Reversals - Revaluation Reserve	(1,542)	0	0	0	0	0	(1,542)
Impairment (Losses) / Reversals - CI&ES	(1,496)	(4,256)	0	0	0	0	(5,752)
Derecognition - disposals	21	0	0	704	0	0	725
Other movements in depreciation & impairment	7	0	0	0	0	0	7
At 31 March 2011	(60,535)	(18,296)	(733)	(9,093)	0	0	(88,657)
Net Book Value at 1 April 2010	605,463	46,694	3,248	9,746	7,602	1	672,754
Net Book Value at 31 March 2011	537,930	58,372	3,813	13,016	0	0	613,131

Notes to the Statement of Accounts

Movements in 2009/2010	<i>Land & Buildings</i> £000	<i>Infrastructure Assets</i> £000	<i>Community Assets</i> £000	<i>Vehicles, Plant & Equipment</i> £000	<i>Assets Under Construction</i> £000	<i>Surplus Assets</i> £000	Total Property, Plant & Equipment £000
Cost or Valuation							
At 1 April 2009	612,057	42,201	3,188	15,067	20,079	134	692,726
Additions	36,677	17,103	372	2,674	6,638	0	63,464
Revaluations - Revaluation Reserve	3,047	0	383	0	0	86	3,516
Revaluations - CI&ES	(1,130)	0	0	0	0	0	(1,130)
Derecognition - disposals	(1,027)	0	0	0	0	0	(1,027)
Other movements in cost or valuation	19,334	0	0	0	(19,115)	(219)	0
At 31 March 2010	668,958	59,304	3,943	17,741	7,602	1	757,549
Accumulated Depreciation & Impairment							
At 1 April 2009	(32,264)	(7,949)	(615)	(6,420)	0	0	(47,248)
Depreciation for the year	(30,728)	(1,192)	(37)	(1,575)	0	0	(33,532)
Depreciation written out - Revaluation Reserve	3,888	0	0	0	0	0	3,888
Impairment (Losses) / Reversals - Revaluation Reserve	(316)	0	0	0	0	0	(316)
Impairment (Losses) / Reversals - CI&ES	(4,086)	(3,469)	(43)	0	0	0	(7,598)
Derecognition - disposals	11	0	0	0	0	0	11
At 31 March 2010	(63,495)	(12,610)	(695)	(7,995)	0	0	(84,795)
Net Book Value at 1 April 2009	579,793	34,252	2,573	8,647	20,079	134	645,478
Net Book Value at 31 March 2010	605,463	46,694	3,248	9,746	7,602	1	672,754

Notes to the Statement of Accounts

13.2 Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- other land and buildings – between 2 and 60 years
- vehicles, plant, furniture and equipment – between 1 and 10 years
- infrastructure – between 20 and 60 years
- surplus assets not held for sale – between 2 and 60 years

Depreciation has been charged in year to the following services:

	2009/10 £000	2010/11 £000
Development and Environment	4,896	4,881
Children & Young People's Services	27,554	17,444
Housing General Fund	63	37
Finance & Resources and Corporate Services	799	1,013
Adult Social Services	220	172
Total Depreciation	33,532	23,547

13.3 Capital Commitments

At 31 March 2011, the Council had entered into a number of contracts for the construction or enhancement of Plant, Property and Equipment in 2011/12 and future years, the most significant of which are shown below. Similar commitments as at 31 March 2010 totalled £10.588 million.

The significant commitments are:

	Period of Investment	Commitment £000
Birdwell School	2009/12	1,732
Trinity School	2010/12	1,360
Backwell School	2010/12	1,308
Gordano School	2010/12	1,329
		5,729

13.4 Effects of Changes in Estimates

As a result of significant fluctuations within various parts of the economy since 2008/09, the Council's property specialists have continued to review the asset portfolio 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.

The results of this work, together with revaluations undertaken as part of the rolling revaluation programme have been reflected in the movements disclosed (see Note 13.5 below). In using professionally qualified staff, both employed and contracted, the Council considers that the opportunity for material error relating to valuations is minimal.

Notes to the Statement of Accounts

13.5 Revaluations

The Council carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations of Land & Buildings are arranged by the Council's Head of Property and Asset Management A.R.I.C.S. The basis for valuation is set out in the Accounting Policies (see Note 1, xvi on page 25).

The table below reflects the Current Value of the assets valued in each of the five years, together with those assets carried at Historical Cost. As can be seen, the majority of the Council's Land & Buildings assets are held at carrying value, with a small proportion held at Historical cost as they are new asset purchases or newly built assets transferred in from the Assets Under Construction category. These assets are included within the rolling revaluation programme for 2011/12, but have also been subjected to a review during 2010/11 from the professional valuation staff to ensure that the asset values are not materially mis-stated, and will not be subject to material impairment when revalued.

	<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	Total £000
Valued at Historical Cost	36,085	58,372	2,538	13,016	0	110,011
Valued at Current Value in year						
2010/11	350,584	0	0	0	6,122	356,706
2009/10	9,448	0	333	0	140	9,921
2008/09	111,013	0	280	0	0	111,293
2007/08	12,912	0	9	0	0	12,921
2006/07	14,079	0	271	0	0	14,350
2005/06, or prior	3,809	0	382	0	0	4,191
Total	537,930	58,372	3,813	13,016	6,262	619,393

In 2010/11 the Council used professionally qualified valuation staff, both employed and contracted, to undertake the revaluations required as part of the rolling revaluation programme. Assets included within the 2010/11 revaluation programme included 20% of the following asset groups: schools, leisure centres, civic amenity sites, housing, toilets, offices and car parks.

Some of the revalued assets increased in value as a result of the revaluation programme, and the increase in these non-current assets resulted in £15.4m being credited to the Revaluation Reserve. However, a significant proportion of other assets revalued decreased in value, resulting in a total net revaluation loss of £94.0m for the year. These revaluation losses have either been written off to the Revaluation Reserve, if a balance was previously held, or have been charged to the Comprehensive Income and Expenditure Account.

Notes to the Statement of Accounts

The table below summarises the net movements in Land & Buildings values as a result of the revaluation programme.

	<i>Net Book</i>	<i>Analysis of revaluation loss</i>			
	<i>Value</i>	<i>Revaluation</i>	<i>Revaluation</i>	<i>charged to :</i>	
	<i>1/4/2011</i>	<i>Increase</i>	<i>Loss</i>	<i>CI&ES</i>	<i>Revaluation</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>Reserve</i>
				<i>£000</i>	<i>£000</i>
Schools ⁽¹⁾	95,865	3,582	(28,339)	(3,213)	(25,125)
Schools ⁽²⁾	304,686	0	(61,007)	(6,252)	(54,754)
Other Assets ⁽¹⁾	32,122	11,843	(4,661)	(3,628)	(1,034)
Total		15,425	(94,007)	(13,093)	(80,913)

(1) Subject to Full Revaluation Report
(2) Downward Revaluation Adjustment of 20% applied

As can be seen from the table above the Council's schools assets subjected to a full revaluation during the year reflected a loss of £28.3m, which equates to 29% of the original carrying value of £95.8m. A review of these results was undertaken by the Valuation Team and it was noted that the significant decrease in value was attributable to a number of factors most notably a review of the base build rates to bring them back in line with national averages rather than local one-off project costs and a review of some of the built in allowances within the valuations such as obsolescence factors to better reflect the age and condition of the estate.

Following further detailed reviews of the schools asset portfolio, together with other specific valuation indices and cost factors relevant to the local area, the Council's Head of Property and Asset Management decided to apply a downward revaluation adjustment of 20% on the values of the remaining schools assets in order to reduced any opportunity for materials mis-statement or error relating to valuations. The downward revaluation adjustment resulted in an additional revaluation loss of £61.0m, £54.7m of which was charged to the Revaluation Reserve.

14. Investment Properties

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

Rental income from investment property received in the year was £0.280m (2009/10 - £0.204m). There are no direct operating expenses arising from these properties.

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

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

	<i>2009/10</i>	<i>2010/11</i>
	<i>£000</i>	<i>£000</i>
Balance at 1 April	5,006	6,604
Additions:		
- Subsequent Expenditure	31	167
Disposals	(103)	(823)
Net gains / losses from fair value adjustments	1,670	314
Balance at 31 March	6,604	6,262

Notes to the Statement of Accounts

15. Long Term Investments

The Council's long term investments consist of:

	2009/10		2010/11
	1 April 2009	31 March 2010	31 March 2011
	£000	£000	£000
Loans and Receivables			
- Externally Managed Investments	0	3,008	6,057
- Internally Managed Investments	11,551	2,254	5,765
- Repair & Renewal Fund - 3.5% Conversion Stock	1	1	1
	11,552	5,263	11,823
Available for Sale Investment	0	1,402	1,401
Total Long Term Investments	11,552	6,665	13,224

16. Long Term Debtors

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

	2009/10		2010/11
	1 April 2009	31 March 2010	31 March 2011
	£000	£000	£000
Mortgages	361	317	292
Housing Long Term Debtors	10	10	0
Other Long Term Debtors	935	937	1,194
	1,306	1,264	1,486
Car Loans to Employees	5	0	0
Allowance for Doubtful Debts	(2)	0	0
Total Long Term Debtors - Loans and Receivables (Note 18)	1,309	1,264	1,486
Operating Lease Incentives	175	171	168
Total Long Term Debtors - Balance Sheet	1,484	1,435	1,654

17. Long Term Creditors

The long-term creditor represents a lease incentive where the Council, as a lessee, has received a rent free period or reduced rentals early on in the lease term. Under IFRS, the lease payments are charged to the Comprehensive Income and Expenditure Statement equally over the lease term with the resultant impact as noted above. The property lease incentive will be fully written out by June 2013.

Notes to the Statement of Accounts

18. Financial Instruments

18.1 Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	<i>Long Term</i>			<i>Current</i>		
	<i>1 April</i>	<i>31 March</i>	<i>31 March</i>	<i>1 April</i>	<i>31 March</i>	<i>31 March</i>
	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Investments						
Loans and receivables	11,552	5,263	11,823	88,634	78,965	54,232
Available-for-sale financial assets	0	1,402	1,401	14,427	11,215	10,507
	11,552	6,665	13,224	103,061	90,180	64,739
Debtors						
Loans and receivables	1,309	1,261	1,484	0	0	0
Financial assets carried at contract amounts	0	0	0	8,858	8,614	12,229
	1,309	1,261	1,484	8,858	8,614	12,229
Total Financial Assets	12,861	7,926	14,708	111,919	98,794	76,968
Borrowings						
Financial liabilities at amortised cost	(109,598)	(107,282)	(110,072)	(3,537)	(7,540)	(6,579)
Credit Cover arrangements (Leases)	(70)	(47)	(24)	(24)	(23)	(24)
	(109,668)	(107,329)	(110,096)	(3,561)	(7,563)	(6,603)
Creditors						
Financial liabilities carried at contract amounts	0	0	0	(2,280)	(16,120)	(12,851)
	0	0	0	(2,280)	(16,120)	(12,851)
Total Financial Liabilities	(109,668)	(107,329)	(110,096)	(5,841)	(23,683)	(19,454)

18.2 Events with Material Effect - Impairment of Financial Assets

Impairment of Deposits with Icelandic Banks

Early in October 2008, several Icelandic banks collapsed and 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 continue to remain subject to the respective legal administration and receivership processes.

The current situation with regards to the recovery of the sums deposited, and therefore the financial effect on each investment does vary between the banking institutions. Previous valuations of the remaining assets and liabilities of Landsbanki Bank indicated that some recovery of the investment was likely, however the level of recovery was still subject to decisions to be determined by the Icelandic Courts, the primary issue being the assumption that local authority deposits with the banks had priority creditor status, and would therefore be repaid ahead of any creditors that did not have priority status.

The latest information available to the Council was provided by the Reykjavik District Court when they issued a verdict on 1 April 2011 confirming the local authorities' claims qualified for priority creditor status under Article 112 of the Icelandic Bankruptcy legislation.

Based upon the latest valuation information available, together with the Reykjavik Court decision, the Council does consider that it is still appropriate to reflect an impairment adjustment for the investment, and the Accounts have been prepared reflecting a recovery rate of 95%. However the District Court rulings are being appealed to the Icelandic Supreme Court meaning that this is not yet definitive.

Notes to the Statement of Accounts

Recoveries are expressed as a percentage of the Council's claim in the administration process, and which are based upon the value of the matured deposit together with interest at the contractual rate, for the period from maturity to 22 April 2009. The District Court also confirmed this position in relation to interest in the local authorities favour.

All decisions relating to the amounts and timings of repayments will be made by the resolution committee when a final conclusion has been reached through the legal process, and it is likely that further adjustments will be made to the Accounts in future years. However in calculating the impairment assessment, the Council has anticipated phased repayments will be received between December 2011 and December 2018.

18.3 Income, Expense, Gains and Losses

2009/10			2010/11		
<i>Financial Assets</i>		<i>Financial Liabilities carried at Amortised Cost</i>	<i>Financial Assets</i>		<i>Financial Liabilities carried at Amortised Cost</i>
<i>Loans & Receivables</i>	<i>Available-for-Sale</i>	<i>£000</i>	<i>Loans & Receivables</i>	<i>Available-for-Sale</i>	<i>£000</i>
<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
0	0	6,375	0	0	6,412
0	77	0	0	7	0
462	0	0	25	0	0
Total expense in Surplus or Deficit on the Provision of Services			25	7	6,412
(2,938)	(280)	0	(1,542)	(112)	0
0	0	0	(139)	0	0
Total income in Surplus or Deficit on the Provision of Services			(1,681)	(112)	0
(2,476)	(203)	6,375	(1,656)	(105)	6,412
Net Gain / (Loss) for the Year			(1,656)	(105)	6,412

18.4 Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors 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 Statement of Accounts

The fair values calculated are as follows:

	<i>31 March 2010</i>		<i>31 March 2011</i>	
	<i>Carrying amount</i>	<i>Fair Value</i>	<i>Carrying amount</i>	<i>Fair Value</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Loans and receivables	84,227	84,564	66,055	66,231
Available-for-Sale financial assets	12,618	12,618	11,908	11,908
Short-term debtors	8,614	8,614	12,229	12,229
Long-term debtors	1,261	1,261	1,484	1,484
Total Financial Assets	106,720	107,057	91,676	91,852
Financial liabilities	(114,892)	(120,864)	(116,698)	(126,391)
Short-term creditors	(16,120)	(16,120)	(12,851)	(12,851)
Total Financial Liabilities	(131,012)	(136,984)	(129,549)	(139,242)

The fair value of financial liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2011) arising from a commitment to pay interest to lenders above current market rates.

The fair value of financial assets 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.

Available for sale assets are carried in the balance sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

19. Inventories

The table below shows the movement in inventories during the year:

	<i>Balance at 1 April</i>	<i>Purchases</i>	<i>Sales</i>	<i>Written Off</i>	<i>Balance at 31 March</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<u>Movements in 2010/2011</u>					
Bar and Catering Stock	32	37	(46)	0	23
Controlled Stationery	14	10	(14)	3	13
Green Sacks	45	25	(40)	0	30
	91	72	(100)	3	66
<u>Movements in 2009/2010</u>					
Bar and Catering Stock	33	0	(1)	0	32
Controlled Stationery	17	0	(3)	0	14
Green Sacks	18	27	0	0	45
	68	27	(4)	0	91

Notes to the Statement of Accounts

20. Debtors

	2009/10		2010/11
	31 March		31 March
	1 April 2009	2010	2011
	£000	£000	£000
Central Government Bodies	5,891	12,045	8,197
Other Local Authorities	256	466	360
NHS Bodies	300	1,138	2,116
Public Corporations and Trading Funds	2,688	62	0
Other Entities and Individuals	10,995	11,102	13,104
Total Short Term Debtors	20,130	24,813	23,777
Prepayments	1,821	5,887	4,745
Total Short Term Debtors and Prepayments	21,951	30,700	28,522

21. Cash and Cash Equivalents

	2009/10		2010/11
	31 March		31 March
	1 April 2009	2010	2011
	£000	£000	£000
Cash held by the Council	12	12	19
Bank current accounts	(2,016)	226	(1,233)
Short-term deposits with Building Societies	0	0	0
Total Cash and Cash Equivalents	(2,004)	238	(1,214)

22. Assets Held For Sale

	Current Assets	
	31 March	31 March
	2010	2011
	£000	£000
Balance at 1 April	0	0
Assets newly classified as held for sale - Property Plant and Equipment	0	1,633
Revaluation gains / losses	0	(26)
Assets sold	0	(998)
Balance at 31 March	0	609

Notes to the Statement of Accounts

23. Creditors

	2009/10		2010/11
	31 March		31 March
	1 April 2009	2010	2011
	£000	£000	£000
Central Government bodies	(13,826)	(8,228)	(5,779)
Other Local Authorities	(74)	(838)	(4,075)
NHS Bodies	(5,088)	(589)	(1,534)
Public Corporations and Trading Funds	(2)	0	(75)
Other Entities and Individuals	(27,282)	(37,866)	(30,995)
Total Short Term Creditors	(46,272)	(47,521)	(42,458)
Finance lease obligations due within 12 months	(315)	(216)	(138)
Total Short Term Creditors including finance lease obligations	(46,587)	(47,737)	(42,596)

24. 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.

	Balance 1	Additional	Amounts	Balance 31	Additional	Amounts	Balance
	April 2009	provisions		March	provisions		31 March
	£000	made	used	2010	made	used	2011
	£000	£000	£000	£000	£000	£000	£000
Insurance Provisions							
- General Fund	(2,322)	(469)	805	(1,986)	(402)	468	(1,920)
- Sheltered Leasehold	(37)	(29)	0	(66)	(12)	22	(56)
- Housing	(8)	(1)	1	(8)	0	4	(4)
NNDR Revaluation Provision	(370)	(141)	115	(396)	(102)	252	(246)
CSU HR Data Cleansing Provision	(30)	0	0	(30)	0	30	0
CSU Customer Delivery Provision	(35)	0	0	(35)	0	0	(35)
D&E South Ward SSC Programme	(169)	0	169	0	0	0	0
D&E LPSA Provisions	(95)	0	46	(49)	0	26	(23)
D&E IT Data Capture and Projects	(34)	0	18	(16)	0	0	(16)
D&E Planning Appeals Provision	(164)	(80)	78	(166)	(99)	53	(212)
ASS&H Homecare Provision	0	(18)	0	(18)	0	0	(18)
ASS&H Homelessness Review	(5)	0	0	(5)	(5)	0	(10)
ASS&H HGF & LSVT	(9)	0	9	0	0	0	0
F&R Systems Development	(34)	0	34	0	0	0	0
F&R Rent Reviews	(504)	(280)	784	0	0	0	0
F&R Severance Costs	0	0	0	0	(969)	0	(969)
Totals	(3,816)	(1,018)	2,059	(2,775)	(1,589)	855	(3,509)
Expected future timing of associated outflows of economic benefit:							
Less than 1 year	1,016			569			1,446
Over 1 year, less than 5 years	2,414			1,906		1,812	
Over 5 years, less than 10 years	386			300		251	2,063
	3,816			2,775			3,509

Notes to the Statement of Accounts

Provision	Description
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
F&R Provisions	Severance costs : set aside for decisions made prior to the Balance Sheet date to terminate officers employment

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 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.

25. Insurance Provisions and Reserves

The insurance provisions and reserves balance stood at £5.570m as at 31 March 2011. Identified outstanding potential commitments at this date stand at approximately £1.980m and are reflected in the insurance provisions shown in Note 24 above. However, as always with insurance claims, they can take time to materialise and therefore the Council has set-aside reserves totalling £3.590m 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 9, page 39.

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.

Notes to the Statement of Accounts

The Council's insurance arrangements for 2010/11 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.

26. Ex-Avon County Council Debt (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.

	2009/10		2010/11
	1 April 2009	31 March 2010	31 March 2011
	£000	£000	£000
Total Avon CC Debt Outstanding	103,687	99,540	95,558
<u>North Somerset Share of LGR Debt Outstanding</u>	19,523	18,742	17,993
Total Interest Paid in Year	0	1,076	847
Avon Debt Repayments - Minimum Revenue Provision	0	781	750
<u>NSC Share of Converted Debt Rescheduling Costs</u>	472	453	435
Interest Paid in Year	0	26	20
Avon Debt Restructuring Repayments - Minimum Revenue Provision	0	19	18
<u>NSC Share of Other Debt Rescheduling Costs Outstanding</u>			
Interest Paid in Year	0	4	35
Premiums & Discounts in Year	0	(5)	14
<u>Total for both LGR and Debt Restructuring</u>			
North Somerset Debt Outstanding	19,996	19,196	18,428
Interest Paid in Year	0	1,106	903
Premiums & Discounts in Year	0	(5)	14
Debt Repayments - Minimum Revenue Provision	0	800	768

27. Useable Reserves

Movements in the Council's useable reserves are summarised in the Movement in Reserves Statement (page 11) and Notes 8 and 9 (pages 37 to 40).

Movement in the Dedicated Schools Grant is detailed in Note 41 (page 74).

LMS School Balances

The balance of £6.447m (£5.775m - 2009/10) 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 2011 and are not available to the Council for general use.

Notes to the Statement of Accounts

28. Unusable Reserves

28.1 Summary of Unusable Reserves

	<i>Balance 1</i> <i>April 2010</i> <i>£000</i>	<i>Net</i> <i>Movement</i> <i>in Year</i> <i>£000</i>	<i>Balance 31</i> <i>March 2011</i> <i>£000</i>	<i>Further</i> <i>Details</i>
<u>Revaluation Balances</u>				
Revaluation Reserve	(325,089)	78,116	(246,973)	Note 28.2
Available-for-Sale Financial Instruments Reserve	(8)	7	(1)	Note 28.3
	<hr/>	<hr/>	<hr/>	
	(325,097)	78,123	(246,974)	
<u>Adjustment Balances</u>				
Capital Adjustment Account	(223,525)	(8,791)	(232,316)	Note 28.4
Financial Instruments Adjustment Account	1,463	(777)	686	Note 28.5
Collection Fund Adjustment Account	(1,420)	837	(583)	Note 28.6
Pensions Reserve	196,069	(38,618)	157,451	Note 28.7
Accumulated Absences Account	4,247	(657)	3,590	Note 28.8
Deferred Capital Receipts Reserve	(330)	33	(297)	Note 28.9
	<hr/>	<hr/>	<hr/>	
	(23,496)	(47,973)	(71,469)	
Total Unusable Reserves	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	
	(348,593)	30,150	(318,443)	

	<i>Balance 1</i> <i>April 2009</i> <i>£000</i>	<i>Net</i> <i>Movement</i> <i>in Year</i> <i>£000</i>	<i>Balance 31</i> <i>March 2010</i> <i>£000</i>	<i>Further</i> <i>Details</i>
<u>Revaluation Balances</u>				
Revaluation Reserve	(336,256)	11,167	(325,089)	Note 28.2
Available-for-Sale Financial Instruments Reserve	(85)	77	(8)	Note 28.3
	<hr/>	<hr/>	<hr/>	
	(336,341)	11,244	(325,097)	
<u>Adjustment Balances</u>				
Capital Adjustment Account	(198,196)	(25,329)	(223,525)	Note 28.4
Financial Instruments Adjustment Account	442	1,022	1,464	Note 28.5
Collection Fund Adjustment Account	(968)	(452)	(1,420)	Note 28.6
Pensions Reserve	144,089	51,980	196,069	Note 28.7
Accumulated Absences Account	4,234	13	4,247	Note 28.8
Deferred Capital Receipts Reserve	(372)	42	(330)	Note 28.9
	<hr/>	<hr/>	<hr/>	
	(50,771)	27,276	(23,495)	
Total Unusable Reserves	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	
	(387,112)	38,520	(348,592)	

Notes to the Statement of Accounts

28.2 Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

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

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

	2009/10 £000	2010/11 £000
Balance brought forward - 1 April	(336,256)	(325,089)
Upward revaluation of assets	(7,404)	(16,083)
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	316	80,914
Surplus / deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(7,088)	64,831
Difference between fair value depreciation and historical cost depreciation	17,893	10,122
Accumulated gains on assets sold or scrapped	362	3,163
Amount written off to the Capital Adjustment Account	18,255	13,285
Balance carried forward - 31 March	(325,089)	(246,973)

28.3 Available-for-Sale Financial Instruments Reserve

This Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

	2009/10 £000	2010/11 £000
Balance brought forward - 1 April	(85)	(8)
Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	77	7
Balance carried forward - 31 March	(8)	(1)

Notes to the Statement of Accounts

28.4 Capital Adjustment Account

The balance on the Account represents timing differences arising from the difference arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction or enhancement.

The Account contains accumulated gains and losses on Investment Property and gains recognised on donated assets that have yet to be consumed by the Authority; revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007 (the date the Revaluation Reserve was created) are also contained in the Account.

	2009/10 £000	2010/11 £000
Balance brought forward - 1 April	(198,195)	(223,523)
<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</u>		
Charges for depreciation of non-current assets	33,532	23,547
Charges for impairment of non-current assets	7,598	5,752
Revaluation losses on Property, Plant and Equipment	1,130	12,235
Revenue expenditure funded from capital under statute	3,691	5,025
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	756	2,486
	46,707	49,045
Adjusting amounts written out of the Revaluation Reserve	(17,892)	(9,938)
Net written out amount of the cost of non-current assets consumed in the year	28,815	39,107
<u>Capital financing applied in the year</u>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(4,535)	(8,438)
Capital Grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,256)	(32,660)
Application of grants to capital financing from the Capital Grants Unapplied Account	(38,656)	(129)
Statutory provision for the financing of capital investment charged against the General Fund Balance	(5,524)	(5,452)
Capital expenditure charged against the General Fund Balance	(1,502)	(907)
	(52,473)	(47,586)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(1,670)	(314)
Balance carried forward - 31 March	(223,523)	(232,316)

A credit balance on the Account shows that capital finance has been set aside at a faster rate than non-current 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 non-current 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 Statement of Accounts

28.5 Financial Instruments Adjustment Account

This Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

	2009/10 £000	2010/11 £000
Balance brought forward - 1 April	442	1,464
Premiums incurred in year and charged to the Comprehensive Income & Expenditure Statement	304	0
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	0	(31)
Net gains or losses written-off as impairment and charged to the Comprehensive Income & Expenditure Statement	718	0
Impairment incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	0	(746)
Balance carried forward - 31 March	1,464	687

28.6 Collection Fund Adjustment Account

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

	2009/10 £000	2010/11 £000
Balance brought forward - 1 April	(968)	(1,420)
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is difference from Council Tax income calculated for the year in accordance with statutory requirements	(452)	837
Balance carried forward - 31 March	(1,420)	(583)

Notes to the Statement of Accounts

28.7 Pensions Reserve

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

	2009/10 £000	2010/11 £000
Balance brought forward - 1 April	144,089	196,069
Actuarial (gains) or losses on pensions assets and liabilities	46,622	(15,473)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	20,575	(7,707)
Employer's pensions contributions and direct payments to pensioners payable in the year	(15,217)	(15,438)
Balance carried forward - 31 March	196,069	157,451

The amounts shown above bring together adjustments for both the Local Government Pension Scheme (Note 48.2, page 81) and Unfunded Teachers' Discretionary Benefits (Note 48.3, page 85) as follows:

	2010/11	
	Local Government Pension Scheme £000	Teachers' Discretionary Benefits £000
Balance brought forward - 1 April	169,840	26,229
Actuarial (gains) or losses on pensions assets and liabilities	(14,897)	(576)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(7,871)	164
Employer's pensions contributions and direct payments to pensioners payable in the year	(13,741)	(1,697)
Balance carried forward - 31 March	133,331	24,120

Notes to the Statement of Accounts

28.8 Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing from compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2009/10 £000	2010/11 £000
Balance brought forward - 1 April	4,234	4,247
Settlement or cancellation of accrual made at the end of the preceding year	(4,234)	(4,247)
Amounts accrued at the end of the current year	4,247	3,590
<hr/>		
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	13	(657)
Balance carried forward - 31 March	4,247	3,590

28.9 Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of noncurrent assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2009/10 £000	2010/11 £000
Balance at 1 April	(372)	(330)
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0
Transfer to the Capital Receipts Reserve upon receipt of cash	42	34
Balance carried forward - 31 March	(330)	(296)

Notes to the Statement of Accounts

29. Notes to the Cash Flow Statement

29.1 Adjustments to the net (surplus) / deficit on the provision of services for non-cash movements

	2009/10 £000	2010/11 £000
Depreciation and impairment	(42,077)	(41,534)
(Increase) in impairment allowance for bad debts	(256)	(639)
(Increase)/decrease in creditors	5,138	7,838
Increase/(decrease) in debtors	2,547	(880)
Increase/(decrease) in inventories	23	(25)
Pension liability	(5,358)	23,145
Carrying amount of non current assets sold	(1,118)	(4,292)
Provisions	1,040	(734)
Movements in the value of investment properties	1,670	314
Grants applied to the financing of capital expenditure	32,594	34,162
Other non-cash items charged to the net surplus or deficit on the provision of services	2,227	772
Net adjustments for non-cash movements	(3,570)	18,127

29.2 Adjustments for items included in the surplus or deficit on provision of services that are investing and financing activities

	2009/10 £000	2010/11 £000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,594	3,675

Notes to the Statement of Accounts

29.3 Operating Activities

The cash flows for operating activities include the following:

	2009/10 £000	2010/11 £000
Interest received	(4,572)	(2,879)
Interest paid	7,324	7,297

29.4 Investing Activities

	2009/10 £000	2010/11 £000
Purchase of property, plant and equipment, investment property and intangible assets	63,448	49,645
Purchase of short-term and long-term investments	70,901	225,908
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,594)	(2,882)
Proceeds from short-term and long-term investments	(87,010)	(243,705)
Other receipts from investing activities	(55,901)	(22,033)
Net cash flows from Investing Activities	(11,156)	6,933

29.5 Financing Activities

	2009/10 £000	2010/11 £000
Cash receipts of short- and long-term borrowing	(18,704)	(8,951)
Cash payments for the reduction of the outstanding liabilities relating to finance lease	237	160
Repayments of short- and long-term borrowing	17,841	7,120
Other payments for financing activities	4,793	(2,108)
Net cash flows from Financing Activities	4,167	(3,779)

Notes to the Statement of Accounts

30. Segment Reporting

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Best Value Accounting Code of Practice*. However, decisions about resource allocation are taken by the Executive on the basis of budget reports analysed across service directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure; depreciation, revaluation and impairment losses are charged to services in the Comprehensive Income and Expenditure Statement
- the cost of retirement benefits is based on cash flows – i.e. payment of employer's pensions contributions rather than the current service cost of benefits accrued in the year
- not all overheads and support services are fully recharged during the year for management reporting purposes

The income and expenditure of the Council's principal directorates recorded in the budget reports for the year is as follows:

	2010/2011							TOTAL £000
	Children and Young People £000	Dedicated Schools Budget £000	Adult Social Care and Housing £000	Development and Environment £000	Finance & Resources £000	All Other Segments £000		
Employee Expenses	19,703	106,911	14,097	15,337	8,904	6,230	171,182	
Other Service Expenses	29,507	52,591	71,142	39,515	19,803	12,494	225,052	
Transfer Payments	0	0	0	0	74,070	0	74,070	
Support Services	3,295	3,088	2,343	8,330	5,714	1,318	24,088	
Total Expenditure	52,505	162,590	87,582	63,182	108,491	20,042	494,392	
Fees, Charges & Other Service Income	(9,697)	(7,854)	(13,641)	(20,312)	(19,103)	(12,956)	(83,563)	
Grants & Contributions	(14,017)	(154,736)	(22,866)	(5,509)	(79,776)	(4,018)	(280,922)	
Total Income	(23,714)	(162,590)	(36,507)	(25,821)	(98,879)	(16,974)	(364,485)	
Net Expenditure 2010/2011	28,791	0	51,075	37,361	9,612	3,068	129,907	
	2009/2010							TOTAL £000
	Children and Young People £000	Dedicated Schools Budget £000	Adult Social Care and Housing £000	Development and Environment £000	Finance & Resources £000	All Other Segments £000		
Employee Expenses	19,461	104,415	16,445	16,257	9,295	7,071	172,944	
Other Service Expenses	28,163	42,269	65,280	39,813	14,252	15,165	204,942	
Transfer Payments	0	0	0	0	70,370	0	70,370	
Support Services	3,362	3,053	2,308	13,382	6,905	1,964	30,974	
Total Expenditure	50,986	149,737	84,033	69,452	100,822	24,200	479,230	
Fees, Charges & Other Service Income	(8,811)	(8,101)	(13,374)	(24,417)	(18,068)	(16,023)	(88,794)	
Grants & Contributions	(13,614)	(141,636)	(19,864)	(7,005)	(73,744)	(4,571)	(260,434)	
Total Income	(22,425)	(149,737)	(33,238)	(31,422)	(91,812)	(20,594)	(349,228)	
Net Expenditure 2009/2010	28,561	0	50,795	38,030	9,010	3,606	130,002	

Notes to the Statement of Accounts

30.1 Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	<i>2009/10</i> <i>£000</i>	<i>2010/11</i> <i>£000</i>
Net Expenditure in the Directorate Analysis	130,002	129,907
Net expenditure of services and support services not included in the analysis	8,266	10,522
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	34,296	10,625
Amounts included in the analysis and not included in the Comprehensive Income and Expenditure Statement	5,791	2,568
Cost of Services in Comprehensive Income and Expenditure Statement	178,355	153,622

Notes to the Statement of Accounts

30.2 Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2010/2011								
	Directorate Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in CIE Statement £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	TOTAL £000
Employee Expenses	171,182	0	(32,262)	0	0	138,920	0	138,920
Other Service Expenses	225,052	12,486	1,364	(26,525)	(666)	211,711	0	211,711
Transfer Payments	74,070	0	0	0	0	74,070	0	74,070
Support Services Recharges	24,087	0	0	0	(1,385)	22,702	0	22,702
Depreciation, amortisation and impairment	0	0	41,534	0	0	41,534	0	41,534
Interest Payments	0	0	0	0	0	0	15,580	15,580
Precepts & Levies	0	0	0	0	0	0	3,661	3,661
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	24	24
Gain / Loss on Disposal of Non-Current Assets	0	0	0	0	0	0	1,455	1,455
Total Expenditure	494,391	12,486	10,636	(26,525)	(2,051)	488,937	20,720	509,657
Fees, Charges & Other Service Income	(83,563)	(1,964)	(11)	13,680	2,051	(69,807)	0	(69,807)
Grants & Contributions	(280,921)	0	0	(33)	0	(280,954)	(34,916)	(315,870)
Interest and Investment Income	0	0	0	0	0	0	(2,134)	(2,134)
Income from Council Tax	0	0	0	15,447	0	15,447	(93,375)	(77,928)
Government Grants & Contributions	0	0	0	0	0	0	(67,422)	(67,422)
Total Income	(364,484)	(1,964)	(11)	29,094	2,051	(335,314)	(197,847)	(533,161)
Surplus / Deficit on the Provision of Services	129,907	10,522	10,625	2,569	0	153,623	(177,127)	(23,504)

Notes to the Statement of Accounts

2009/2010								
	Directorate Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in CIE Statement £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	TOTAL £000
Employee Expenses	172,944	0	(5,860)	0	(11,857)	155,227	0	155,227
Other Service Expenses	204,942	12,586	(1,921)	(21,749)	(16,054)	177,803	0	177,803
Transfer Payments	70,370	0	0	0	0	70,370	0	70,370
Support Services Recharges	30,974	0	0	0	(3,121)	27,853	0	27,853
Depreciation, amortisation and impairment	0	0	42,077	0	0	42,077	0	42,077
Interest Payments	0	0	0	0	0	0	32,110	32,110
Precepts & Levies	0	0	0	0	0	0	3,536	3,536
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	33	33
Gain / Loss on Disposal of Non-Current Assets	0	0	0	0	0	0	(1,476)	(1,476)
Total Expenditure	479,230	12,586	34,296	(21,749)	(31,032)	473,330	34,203	507,533
Fees, Charges & Other Service Income	(88,794)	(4,304)	0	18,716	26,929	(47,453)	0	(47,453)
Grants & Contributions	(260,434)	(16)	0	8,824	4,103	(247,523)	(37,411)	(284,934)
Interest and Investment Income	0	0	0	0	0	0	(17,416)	(17,416)
Income from Council Tax	0	0	0	0	0	0	(90,504)	(90,504)
Government Grants & Contributions	0	0	0	0	0	0	(61,503)	(61,503)
Total Income	(349,228)	(4,320)	0	27,540	31,032	(294,976)	(206,834)	(501,810)
Surplus / Deficit on the Provision of Services	130,002	8,266	34,296	5,791	0	178,354	(172,631)	5,723

Notes to the Statement of Accounts

31. Acquired and Discontinued Operations

There were no acquired or discontinued operations in 2010/11 that require separate or additional reporting within the accounts.

32. Overheads and Support Services

The cost of the Council's support services recharged to service accounts in the year are shown in the table below.

	2009/10 £000	2010/11 £000
Financial Services	5,901	8,315
Legal Services	1,230	1,224
Personnel Services	1,466	1,334
Information Technology	2,674	1,460
Corporate Administration	1,999	1,142
Property Related Services	3,314	2,386
Internal Insurance Premiums	2,031	1,416
Central Expenses (postages, photocopiers, telephones, etc.)	1,583	1,359
Recruitment & Retention	232	165
Central Office Accommodation	2,270	3,901
Total Support Service Recharges	22,700	22,702

33. Trading Operations

The Council operates a trading unit for Grounds Maintenance operations, where the service manager is required to achieve a break-even position in-year after meeting statutory capital and FRS17 charges. The Transport trading operation was closed in December 2009.

	2009/2010	2010/2011		Surplus / (Deficit) £000
	Surplus / (Deficit) £000	Income £000	Expenditure £000	
Activities				
Grounds Maintenance	98	812	(712)	100
Transport Services	(375)	0	0	0
	(277)	812	(712)	100
Contract Services - Notional Reserve				
Balance at 1 April 2010	0			0
Surplus / (Deficit) for Year	(277)			100
Depreciation	291			(9)
FRS17 Adjustment	(55)			0
Contribution from / (to) General Fund	41			(91)
Balance at 31 March 2011	0			0

Grounds Maintenance Operations are included in the Comprehensive Income and Expenditure Statement as part of the cost of Cultural, Environmental, Regulatory and Planning Services as an integral part of the Council's services to the public.

Until 2009/10 the Council also operated a traded service for some Education related services; these have now been subsumed within Education services strategic management. The 'traded' outturn for 2009/10 was a deficit of £27,000.

Notes to the Statement of Accounts

34. Agency Services

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.

35. Road Charging Schemes under the Transport Act 2000

No schemes under the Transport Act 2000 (e.g. road charging) were undertaken by the Council during 2010/11.

36. Landfill Allowances Trading Schemes

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.

For 2010/11 the Council received allowances of 39,293 tonnes and the estimated landfill usage is 32,561 tonnes. The Council has not bought or sold any allowances in year or during the reconciliation period. Given the excess number of permits across the country there is minimal opportunity to sell the residual allowances and therefore the remaining 6,732 permits have been valued at nil at the Balance Sheet date.

The following amounts are included in the Statement of Accounts:

	2009/10	2010/11
	£000	£000
<u>Comprehensive Income and Expenditure Account</u>		
Cultural, Environmental, Regulatory & Planning Services		
- Gross Income	(732)	(491)
- Gross Expenditure	732	491
Net Cost	0	0
<u>Balance Sheet 2010/2011</u>		
Current Assets : Landfill Usage Allowances		
- On recognition	732	491
- Movement	(732)	(491)
	0	0
Current Liabilities : Liability to DEFRA for Estimated Landfill Usage		
- On recognition	(723)	(16)
- Movement	723	16
	0	0
Useable Reserves : General Fund		
- On recognition	(9)	(475)
- Movement	9	475
	0	0

Notes to the Statement of Accounts

37. Pooled Budgets

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.

An agreement with North Somerset Primary Care Trust exists for the provision of an Integrated Community Equipment Service. The gross expenditure on this service was £1.407m (2009/10 – £1.432m) of which £0.559m (2009/10 – £0.552m) was provided by the Council. The remaining sum of £0.848m (2009/10 – £0.880m) was provided by the Primary Care Trust.

Until 2009/10 the Council had a pooled budget arrangement with North Somerset Primary Care Trust for the provision of a range of services to persons with learning disabilities. Following national Valuing People Now guidance the pool arrangement was terminated and for 2010/11 the funding from North Somerset Primary Care Trust (of £5.731m) was transferred to the Council as part of a larger agreement (made under section 256 of NHS Act 2006). For 2011/12 onwards this funding will come directly to the Council as part of the Learning Disabilities and Health Reform Grant.

38. 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 £
Elfan Ap Rees	8,112	17,919	4,842	2,601	1,177	34,651
Nigel Ashton	8,112	25,596	0	3,583	2,509	39,801
Felicity Baker	8,112	15,360	0	2,273	1,283	27,028
Angela Barber	8,112	6,399	0	1,126	781	16,418
Karen Barclay	8,112	0	0	307	36	8,456
Robert Bateman	8,112	2,049	0	570	0	10,731
Christopher Blades	8,112	0	0	307	192	8,611
Ericka Blades	8,112	0	0	307	48	8,467
Jeremy Blatchford	8,112	15,360	0	2,273	2,597	28,343
Mary Blatchford	8,112	3,555	0	762	427	12,856
Anthony Bryant	8,112	15,360	4,366	2,273	390	30,501
Robert Cleland	8,112	0	0	307	40	8,459
Andrew Cole	8,112	6,399	2,699	776	1,595	19,582
William Collins	8,112	0	1,509	194	0	9,815
Thomas Collinson	8,112	0	0	307	281	8,700
Robert Cook	8,112	5,121	2,461	963	1,778	18,435
Susan Creasey	8,112	0	0	307	0	8,419
Steven Edwards	8,112	0	0	307	0	8,419
Carl Francis-Pester	8,112	12,800	0	1,946	2,193	25,051
Robert Garner	8,112	6,399	0	1,126	872	16,509
Hugh Gregor	8,112	0	0	307	812	9,231
Anne-Marie Gregory	8,112	0	0	307	60	8,479
Colin Hall	8,112	578	1,616	247	202	10,755
Ann Harley	8,112	7,535	0	1,272	693	17,612
Guljinder Hayer	8,112	0	0	307	0	8,419
Andrew Horler	8,112	6,399	0	1,428	0	15,939
Sub-total c/fwd	210,912	146,830	17,493	26,486	17,967	419,688

Notes to the Statement of Accounts

Councillor	Members Basic Allowance £	Special Responsibility Allowance £	Employers Pension Contribution £	Employers National Insurance £	Travel Expenses & Subsistence £	Total £
sub total b/fwd	210,912	146,830	17,493	26,486	17,967	419,688
Christopher Howell	8,112	0	0	307	0	8,419
Jill Iles	8,112	0	0	307	912	9,331
David Jolley	8,112	0	1,509	307	506	10,434
Philip Judd	8,112	0	0	307	0	8,419
Edward Keating	8,112	0	629	260	0	9,001
Michael Kellaway-Marriott	8,112	5,121	2,461	963	121	16,778
Teresa Kemp	8,112	6,399	0	1,126	1,204	16,842
Chris Kimitri	8,112	0	0	307	0	8,419
Nanette Kirsan	8,112	12,030	0	1,847	334	22,323
Reyna Knight	8,112	5,677	0	1,034	1,450	16,273
Anthony Lake	6,747	10,116	0	1,427	0	18,290
Thomas Leimdorfer	8,112	0	0	307	0	8,419
Timothy Marter	8,112	5,121	2,461	660	651	17,005
Alan McMurray	8,112	0	0	307	552	8,971
Keith Morris	8,112	3,840	0	799	27	12,778
Anthony Moulin	8,112	0	0	307	543	8,962
John Norton-Sealey	8,112	0	1,509	307	261	10,189
Ian Parker	8,112	0	0	307	0	8,419
Dawn Parry	8,112	0	0	307	0	8,419
David Pasley	8,112	4,543	0	889	967	14,511
Amratlal Patel	8,112	0	0	307	0	8,419
Dawn Payne	8,112	0	0	307	0	8,419
Marcia Pepperall	8,112	0	1,509	307	0	9,928
Lisa Pilgrim	6,747	0	0	132	0	6,879
Ian Porter	8,112	0	0	307	0	8,419
Terence Porter	8,112	0	1,509	222	146	9,989
Howard Roberts	8,112	0	0	307	0	8,419
David Shopland	0	0	0	0	0	0
Deborah Stone	8,112	0	0	307	0	8,419
Arthur Terry	8,112	0	0	307	0	8,419
Stanley Vyce	8,112	0	1,509	194	0	9,815
Clive Webb	8,112	6,399	2,699	776	0	17,986
Elizabeth Wells	8,112	103	0	356	428	8,999
Rosslyn Willis	8,112	0	0	307	721	9,140
Deborah Yamanaka	8,112	2,559	0	635	343	11,649
Total 2010/11	483,990	208,738	33,288	43,643	27,133	796,791
Total 2009/10	483,943	212,649	32,826	43,601	30,777	803,796

Notes to the Statement of Accounts

39. Officer Remuneration

The remuneration paid to the Council's senior employees is as follows. 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.

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 tables below.

2010/2011 Senior Employee Remuneration					
Post	Salary (incl. fees & allowances) £	Expense Allowances £	Total Remuneration excl. pension contributions £	Pension Contributions £	Total Remuneration incl. pension contributions £
Chief Executive	144,817	0	144,817	26,936	171,753
Director of Adult Social Services & Housing	103,865	0	103,865	19,319	123,184
Director of Development & Environment	103,865	0	103,865	19,319	123,184
Director of Finance & Resource ¹	104,634	0	104,634	19,462	124,096
Director of Children & Young Peoples Services ²	94,551	0	94,551	17,586	112,137
Head of Performance and Human Resources	81,304	113	81,417	15,123	96,540
Head of Legal & Democratic Services	71,270	0	71,270	13,256	84,526
Strategic Policy Development Manager	62,403	0	62,403	11,607	74,010
	766,709	113	766,822	142,608	909,430

¹ Director of Finance & Resources was also acting Director of Children & Young Peoples Services for the period 1st to 30th April 2010

² Service from 4 May 2010 - the annualised salary for the post is £104,062

Notes to the Statement of Accounts

2009/2010 Senior Employee Remuneration					
Post	Salary (incl. fees & allowances)	Expense Allowances	Total Remuneration excl. pension contributions	Pension Contributions	Total Remuneration incl. pension contributions
	£	£	£	£	£
Chief Executive	144,817	0	144,817	25,633	170,450
Director of Adult Social Services & Housing	103,865	0	103,865	18,435	122,300
Director of Development & Environment	103,865	0	103,865	18,435	122,300
Director of Finance & Resources ¹	56,958	0	56,958	10,132	67,090
Director of Finance & Resources and Acting Director of Children & Young Peoples Services ²	51,230	0	51,230	9,040	60,270
Director of Children & Young Peoples Services ³	70,219	28	70,247	12,487	82,734
Head of Performance and Human Resources	81,304	113	81,417	14,431	95,848
Head of Legal & Democratic Services	68,293	0	68,293	12,114	80,407
Strategic Policy Development Manager	62,403	0	62,403	11,075	73,478
	742,954	141	743,095	131,782	874,877

¹ Service from 1 April 2009 to 18 October 2009
² Temporary appointment from 19 October 2009 to 31 March 2010
³ Service from 1 April 2009 to 2 October 2009

Notes to the Statement of Accounts

The Council's employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) are shown in the table below. The numbers below cover all Council activities, including the employment of teachers within schools and include those senior officers detailed above.

<i>Remuneration Band</i>	<i>No. of Employees</i>	
	<i>2009/10</i>	<i>2010/11</i>
£50,000 - £54,999	82	84
£55,000 - £59,999	24	30
£60,000 - £64,999	26	26
£65,000 - £69,999	5	5
£70,000 - £74,999	12	11
£75,000 - £79,999	1	2
£80,000 - £84,999	5	3
£85,000 - £89,999	3	2
£90,000 - £94,999	0	2
£95,000 - £99,999	0	1
£100,000 - £104,999	3	3
£105,000 - £109,999	1	0
£110,000 - £114,999	0	0
£115,000 - £119,999	0	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

40. External Audit Costs

In 2010/11 North Somerset Council incurred the following fees relating to external audit and inspection.

	<i>2009/10</i>	<i>2010/11</i>
	<i>£000</i>	<i>£000</i>
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	253	230
Fees payable to the Audit Commission in respect of statutory inspection	17	17
Fees payable to the for the certification of grant claims and returns	64	19
Fees payable in respect of other services provided by the appointed auditor	3	2
Total Audit Costs	337	268

Fees payable for other services provided relate to costs in respect of the National Fraud Initiative.

Notes to the Statement of Accounts

41. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008.

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

Details of the deployment of DSG receivable for 2010/11 and the balances carried over as at 31 March 2011 are as follows:

	<i>Central Expenditure £000</i>	<i>Individual Schools Budget £000</i>	Total £000
Brought forward from 2009/10	919	135	1,054
Final DSG for 2010/11	16,363	96,396	112,759
Agreed Budgeted Distribution in 2010/11	17,282	96,531	113,813
Actual central expenditure for the year	16,172	0	16,172
Actual ISB deployed to schools in year	0	96,531	96,531
Total Expenditure in 2010/11	16,172	96,531	112,703
Total Carry Forward of Grant to 2011/12	1,110	0	1,110

Notes to the Statement of Accounts

42. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

	2009/10 £000	2010/11 £000
Credited to Taxation and Non-Specific Grant Income		
Area Based Grant	(11,058)	(15,477)
Revenue Support Grant	(9,420)	(6,590)
Local Authority Business Growth Incentive	(195)	0
Capital Grants and Contributions	(37,411)	(34,916)
	(58,084)	(56,983)
Credited to Services		
Housing Benefit Subsidy	(56,489)	(59,420)
Housing Benefit Administration	(1,828)	(1,817)
Council Tax Benefit Subsidy	(13,166)	(13,784)
Other Finance & Corporate Services Grants	(495)	(842)
Housing	36	(57)
Dedicated Schools Grant	(108,003)	(112,703)
Standards Fund	(11,000)	(12,870)
School Standards Grant	(5,785)	(5,657)
Sixth Form Funding & Special Education	(7,978)	(8,069)
General Sure Start	(4,025)	(4,559)
Other Children & Young Peoples' Grants	(1,551)	(2,327)
Preserved Rights	(2,690)	0
Supporting People (incl. A&B Handy Person Grants)	(6,032)	(1,439)
Other Adult Social Services Grants	(3,470)	(1,352)
Development & Environment Grants	(1,750)	(1,833)
	(224,226)	(226,729)

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the provider should those conditions not be met. The balances at the year-end are as follows:

	2009/10		2010/11
	1 April 2009 £000	31 March 2010 £000	31 March 2011 £000
Capital Grants Receipts in Advance			
Devolved Formula Grant	(2,284)	(3,431)	(2,886)
BSF Grant	(4,734)	(492)	0
14-19 ICT Diploma	(736)	(7,585)	(2,546)
Kitchen Refurbishment	0	(1,686)	(1,272)
Primary Capital Programme	0	(5,678)	(2,590)
Weston Sea Defences	(1,804)	(4,795)	(994)
CABE Sea Change	(88)	(488)	(2)
Growth Point Funding	0	(855)	(1,613)
Other	(1,069)	(456)	(1,408)
	(10,715)	(25,466)	(13,311)

Notes to the Statement of Accounts

43. 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.

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 grants received from Government departments and carried in the Balance Sheet at 31 March 2011 are shown in Note 42

In addition the Council has applied the following significant capital grants for the financing of capital expenditure during 2010/11:

Awarding Body	Type of Grant	Amount £000
Department for Education (formerly DCSF)	Early Years Childcare	3,065
Department for Education (formerly DCSF)	Devolved Formula Grant	2,442
Department for Education (formerly DCSF)	Primary Capital Programme	3,088
Department for Education (formerly DCSF)	14-19 Diploma Grants	4,381
Department for Education (formerly DCSF)	Kitchen Refurbishment Grant	1,582
Communities & Local Government	Regional Housing Pot & Disabled Facilities Grant	1,316
Environment Agency	Sea Defences	7,366
Department for Transport	Local Transport Plan & Major Transport	3,026

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 been asked to sign a declaration detailing any relevant transactions entered into by them or close members of their family during the financial year. Responses have been received from all but two Members.

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 by appointment at the Town Hall.

Avon Pension Fund

The details of the payments made to the Council's Pension Fund are provided in Note 48, pages 80 to 86.

Other Public Bodies

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

Notes to the Statement of Accounts

44. Capital Expenditure and Financing

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

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.

	2009/10 £000	2010/11 £000
Opening Capital Financing Requirement	116,967	131,680
Capital Investment in Year		
Property, Plant and Equipment	63,464	52,363
Investment Properties	31	167
Revenue Expenditure Funded from Capital Under Statute	3,691	5,025
	67,186	57,555
Source of Finance		
Capital Receipts and Reserves	(4,803)	(8,471)
Government Grants and Contributions	(40,912)	(32,789)
Revenue Provisions	(1,234)	(874)
Minimum Revenue Provision & Voluntary Set Aside	(5,524)	(5,452)
	(52,473)	(47,586)
Net Increase in Capital Financing Requirement	14,713	9,969
Closing Capital Financing Requirement	131,680	141,649
Explanation of movement in year:		
Increase in underlying need to borrow supported by Government assistance	5,684	6,800
Increase in underlying need to borrow unsupported by Government assistance	14,506	8,621
Assets acquired under finance lease	47	0
Minimum Revenue Provision & Voluntary Set Aside	(5,524)	(5,452)
Net Increase in Capital Finance Requirement	14,713	9,969

The Minimum Revenue Provision shown above comprises:

	2009/10 £000	2010/11 £000
Minimum Revenue Provision	3,870	4,528
Avon Loan Debt Minimum Revenue Provision	800	768
Voluntary Revenue Provision	854	156
	5,524	5,452

Notes to the Statement of Accounts

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

	2009/10 £000	2010/11 £000
Disabled Facilities Grants	1,599	1,607
Private Sector Renewal	205	271
Assistance to Housing Associations	554	65
VA Schools	37	718
Capital Works and Grants - Non Council Property (incl. Childrens Centres)	628	1,617
Infrastructure Projects	668	747
	3,691	5,025

45. Leases

45.1 Authority as Lessee

Finance Leases

The Council has acquired vehicles and print room equipment under finance leases. The assets acquired under these leases are carried as Vehicles, Plant, Furniture and Equipment under Property, Plant and Equipment in the Balance Sheet at a net value of £0.258m (2009/10 – £0.485m).

The Council is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the assets acquired and finance costs that will be payable in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts;

	2009/10 £000	2010/11 £000
Finance Lease Liabilities	436	238
Finance costs payable in future years	76	37
Minimum Lease Payments	512	275

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

The minimum lease payments will be payable over the following periods

	Minimum Lease Payments		Finance Lease Liabilities	
	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000
Not later than one year	264	171	215	138
Later than one year and not later than five years	248	104	221	100
Later than five years	0	0	0	0
Minimum Lease Payments	512	275	436	238

Notes to the Statement of Accounts

Operating Leases

The Council has acquired a number of administrative buildings and its fleet of vehicles by entering into operating leases, with typical lives of five years for vehicles and equipment and 76 years for property. The future minimum lease payments due under non-cancellable leases in future years are:

	2009/10 £000	2010/11 £000
Not later than one year	1,627	1,382
Later than one year and not later than five years	2,728	1,867
Later than five years	139	58
Total	4,494	3,307

The Authority has sub-let some of its office accommodation held under these operating leases. At 31 March 2011 the minimum payments expected to be received under non-cancellable sub-leases was £0.0767m (£0.076 at 31 March 2010).

The amount paid under these arrangements and charged to Cost of Services in the Comprehensive Income and Expenditure Statement during the year was £1.791m (2009/10 – £1.716m).

	2009/10 £000	2010/11 £000
Minimum lease payments	1,465	1,486
Contingent rents	251	304
Sublease payments receivable	(76)	(76)
Net Charge to Cost of Services	1,640	1,714

45.2 Authority as Lessor

Finance Leases

The Council does not own any property that it leases out under finance leases.

Operating Leases

The Council owns various commercial and investment property that it leases out under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses.

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

	2009/10 £000	2010/11 £000
Not later than one year	550	475
Later than one year and not later than five years	1,136	891
Later than five years	3,407	3,471
Total	5,093	4,837

Notes to the Statement of Accounts

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 £0.201m of contingent rents were receivable by the Authority (2009/10 – £0.131m).

The gross value of assets which were held for use in operating leases was £7.548m valued at 31 March 2011. (31st March 2010: £7.548m)

46. Termination Benefits

46.1 Redundancy and compensation

An amount of £1.326m (2009/10 – £1.230m) was paid in respect of severance payments during the year. All payments are within the limits permitted by statute and the superannuation and compensation regulations, applicable at the time of the payment.

46.2 Pension Strain

During 2010/11, a sum of £0.881m (2009/10 – £1.202m) was charged to service(s) in the Comprehensive Income and Expenditure Statement in respect of pension strain costs, and at the year-end, the balance shown in Creditors in the Balance Sheet for these transactions was £nil. Any additional contributions (strain contributions and augmentation contributions) that are due to be paid in the year by the Council under any agreement with the pension fund are recognised immediately as an expense.

47. Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2010/11 the Council paid £8.078m to Teachers' Pensions in respect of teachers' retirement benefits, representing 13.67% of pensionable pay. The figures for 2009/10 were £8.102m and 14.1% respectively. There were no contributions remaining payable at the year-end.

The Council is also responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 48.2 below.

48. Defined Benefit Pension Schemes

48.1 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;
- arrangements for the award of discretionary post retirement benefits upon early retirement; this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Notes to the Statement of Accounts

48.2 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 Post-Employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pension. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of post employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	2009/10 £000	2010/11 £000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
- Current Service Cost	6,958	11,064
- Past Service Cost / (Gain)	1,060	(27,146)
- Settlements & Curtailments	440	1,147
<i>Financing and Investment Income and Expenditure</i>		
- Interest Cost	22,980	24,928
- Expected return on assets in the scheme	(12,528)	(17,864)
Net Charge to Surplus or Deficit on Provision of Services	18,910	(7,871)
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
- Actuarial Gains and Losses	42,541	(14,897)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	61,451	(22,768)
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on Provision of Services for post employment benefits in accordance with the Code	(18,910)	7,871
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to the scheme	13,521	13,741

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2011 is a loss of £126.855m.

In the UK budget statement on 22 June 2010, the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing the Council's liabilities in the Local Government Pension Scheme by £27.146m and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact on the General Fund.

Notes to the Statement of Accounts

Assets and Liabilities in Relation to Post-Employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	2009/10		2010/11	
	Funded £000	Unfunded £000	Funded £000	Unfunded £000
Opening Balance at 1 April	(313,642)	(12,812)	(430,670)	(15,231)
Current Service Cost	(6,958)	0	(11,064)	0
Interest Cost	(22,106)	(874)	(24,103)	(825)
Contributions by Scheme participants	(4,331)	0	(4,167)	0
Actuarial Gains / (Losses)	(98,003)	(2,543)	8,464	(1,382)
Benefits paid	15,870	998	15,735	996
Past Service (Costs) / Gains	(1,060)	0	26,288	858
Settlements / Curtailments	(440)	0	(1,147)	0
Closing Balance at 31 March	(430,670)	(15,231)	(420,664)	(15,584)

Reconciliation of fair value of the scheme (plan) assets:

	2009/10 £000	2010/11 £000
Opening Balance at 1 April	204,545	276,062
Expected rate of return	12,528	17,864
Actuarial Gains / (Losses)	58,005	7,815
Employers' Contributions	13,521	13,741
Contributions by Scheme participants	4,331	4,167
Benefits Paid	(16,868)	(16,731)
Closing Balance at 31 March	276,062	302,918

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £20.970m (2009/10 – £70.533m).

Notes to the Statement of Accounts

Scheme History

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

	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000
Estimated Liabilities in scheme - Present Value	(338,794)	(381,661)	(326,454)	(445,901)	(436,248)
Estimated Assets in scheme - Fair Value	265,414	247,348	204,545	276,061	302,918
Net Asset / (Liability)	(73,380)	(134,313)	(121,909)	(169,840)	(133,330)

The liabilities show the underlying commitments that the authority has in the long run, in order to pay post-employment benefits. The total liability of £436.248m 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 of £133.330m. 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; finance is only required to be raised to cover discretionary benefits when the pensions are paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 is £12.932m.

Basis for Estimating Assets and Liabilities

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

The main assumptions used in their calculations have been:

	2009/10	2010/11
Rate of RPI inflation	3.3%	3.4%
Rate of CPI inflation	2.8%	2.9%
Rate of increase in salaries	4.55%	4.40%
Rate of increase in pensions	3.3%	2.9%
Rate for discounting scheme liabilities	5.6%	5.5%
Mortality Assumptions		
Longevity at 65 for current pensioners	Years	Years
Men	21.2	22.7
Women	24.1	25.6
Longevity at 65 for future pensioners in 20 years time	Years	Years
Men	22.2	25.0
Women	25.0	28.0
Take-up of option to convert annual pension into retirement grant	50%	50%

The Local Government Pension Scheme's assets are valued at fair value, principally bid price for investments, totalling £302.918m for the Fund as a whole at 31 March 2011 (£276.062m at 31 March 2010).

Notes to the Statement of Accounts

The Fund's assets consist of the following categories, by proportion of the total assets held by the fund:

	<i>Long Term</i>	<i>31 March 2010</i>		<i>31 March 2011</i>	
	<i>Return</i>	<i>£000</i>	<i>%</i>	<i>£000</i>	<i>%</i>
	<i>%</i>				
Equity Investments	7.5	179,440	65.0	189,627	62.6
Government Bonds	4.4	28,434	10.3	39,379	13.0
Other Bonds	5.1	26,502	9.6	23,931	7.9
Cash / Liquidity	0.5	7,454	2.7	6,361	2.1
Property	6.5	9,110	3.3	18,175	6.0
Other	7.5	25,122	9.1	25,445	8.4
Totals		276,062	100.0	302,918	100.0

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of period end assets or liabilities.

	<i>2006/07</i>	<i>2007/08</i>	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Differences between expected and actual return on assets	0.3%	9.3%	29.7%	21.0%	2.6%
Experience gains and losses on liabilities	5.0%	9.6%	24.3%	22.5%	2.2%

Notes to the Statement of Accounts

48.3 Unfunded Teachers' Discretionary Benefits

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year in relation to unfunded Teachers' Discretionary Benefits:

	2009/10 £000	2010/11 £000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
- Past Service Cost / (Gain)	0	(1,406)
- Settlements & Curtailments	150	174
<i>Financing and Investment Income and Expenditure</i>		
- Interest Cost	1,515	1,396
Net Charge to Surplus or Deficit on Provision of Services	1,665	164
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
- Actuarial Gains and Losses	4,080	(576)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	5,745	(412)
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on Provision of Services for post employment benefits in accordance with the Code	(1,665)	(165)
Actual amount charged against the General Fund Balance for pensions in the year		
Retirement benefits payable to pensioners	1,696	1,697

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2011 is a loss of £0.026m.

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing the Council's liabilities in respect of unfunded Teachers' Discretionary Benefits by £1.406m and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact on the General Fund.

Notes to the Statement of Accounts

Liabilities in Relation to Teachers' Discretionary Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	2009/10 £000	2010/11 £000
Opening Balance at 1 April	(22,180)	(26,229)
Interest Cost	(1,515)	(1,396)
Actuarial Gains / (Losses)	(4,080)	576
Benefits paid	1,696	1,697
Past Service (Costs) / Gains	0	1,406
Settlements / Curtailments	(150)	(174)
Closing Balance at 31 March	(26,229)	(24,120)

The Discretionary Benefits arrangements have no assets to cover its liabilities.

Basis for Estimating Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The assumptions are based on those adopted for the 31 March 2010 valuation of the Avon Pension Fund (Note 48.2 above), other than those shown below.

	2009/10	2010/11
Rate of RPI inflation	3.2%	3.3%
Rate of CPI inflation	n/a	2.8%
Rate of increase in pensions	3.2%	2.8%
Rate for discounting scheme liabilities	5.5%	5.4%
Mortality Assumptions		
Longevity at 65 for current pensioners	Years	Years
Men	21.2	22.7
Women	24.1	25.6

48.4 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 £10,784 (£5,878 - 2009/10) and to Gloucestershire County Council of £3,868 (£4,576 - 2009/10) 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 IAS19, and have been charged to Non Distributed Costs in the Comprehensive Income and Expenditure Statement.

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.

Notes to the Statement of Accounts

49. Contingent Liabilities and Contingent Assets

49.1 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 three 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 12 nursing homes despite having offered generous and competitive fee increases for the period 2009/10 of 2.6% for a 0-1 star home, 3.6% for a 2 star home and 4.6% for a 3 star home. In monetary terms those increases equate to £500.78 per bed per week and £510.54 per bed per week (plus RNCC of £106.30) for the care of older people with mental illness/dementia resident in 2 and 3 star homes (respectively).

Although those percentage increases rank considerably above average nationally and were accepted by all residential homes and 29 nursing homes, 12 members of the RNHA (2 and 3 star nursing homes) have, under and pursuant to their spot purchase contract with the Council, referred the Council to arbitration because they consider those fees are inadequate and should be at least £723.20 per week per bed per care home being, what they allege (but do not explain), is the actual cost to them of running a care home in North Somerset.

Should those 12 nursing homes succeed at arbitration, this would be a significant unfunded item. For example, a 1% increase (over and above the disputed increases offered by the Council) could cost between £106,000 and £378,000 depending on the scope of the Tribunal's decision and how such a decision would be implemented across this sector. The Council remains confident that it will be successful in its defence of the proceedings not least because the Council's current basic rates (and rates for the period in dispute) benchmark as one of the highest in the region.

At this time it is not possible to quantify the total value of the contingent liability as this will be determined in the detailed outcome of the proceedings.

Landsbanki

Early in October 2008, several Icelandic banks collapsed and 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 continue to remain subject to the respective legal administration and receivership processes. The 2010/11 accounts continue to reflect the Council's assumption of a 95% return. Full details regarding this issue can be found in Note 18.2 on page 48.

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.

The Directors signed the 30 June 2010 Annual Report and Accounts on 7 September 2010 stating that they were of the view that if a positive outcome to litigation could be achieved, a solvent run-off with full payment of agreed claims could be achieved.

However, at a meeting of MMI creditors on 17 November 2010, in a critical change compared to previous years, the Finance Director reported that the run-off projection did not show a break-even point (i.e. a solvent run-off is no longer achievable).

The Company's solvency is dependent on a successful result to continuing litigation, which could be subject to Supreme Court Appeal and also resolution of the many uncertainties surrounding the INBR (incurred but not reported) provision, including numbers of future claims and inflation rates as well as future investment returns.

As at 31 March 2011 the Council had a potential maximum financial exposure of approximately £526,000.

Notes to the Statement of Accounts

Companies Limited by Guarantee

The Council has links to a number of companies that are limited by guarantee; these are companies that bring together like minded organisations to achieve common goals. The companies cannot tie the Council to contracts or agreements without its consent and the Council is not able to secure assets of the companies or be liable for its debts, nor can it dissolve the companies unilaterally. The Council does not stand as guarantor for any of the companies. The total maximum exposure arising from these arrangements is £19 and the Council does not consider there to be any significant risk or expectation that the liability will be realised.

49.2 Contingent Assets

Residential and Nursing Home Arbitration

Should the Council be successful in its defence of the arbitration proceedings described above, it may be awarded legal costs incurred in pursuing the case. The value of costs recoverable would be determined in the detailed outcome of the proceedings.

50. Nature and 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 2010/11. 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.

Notes to the Statement of Accounts

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.

	<i>Amount at 31 March 2011 £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>
Loans & Receivables				
Deposits with banks & financial institutions	66,055	0.016%	0.082%	54
Long Term Debtors	1,484	0.000%	0.000%	0
Available for Sale Financial Assets				
Deposits with banks & financial institutions	11,908	0.000%	0.000%	0
Financial Assets carried at Contract Amounts				
Customers (Trade Debtors)	7,436	3.785%	3.785%	281
Other Debtors (Accruals)	4,793	0.000%	0.000%	0
Totals	91,676			335

The Council does not generally allow accredit for customers, such that £4.204m of the Trade Debtor balance shown above is past its due date as follows:

	<i>£000</i>
Less than 30 days	2,402
30 to 60 days	867
Over 60 days	935
	4,204

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 credit 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 18.2 (page 48), the Council had one investment of £3m with the Icelandic bank Landsbanki, for which an impairment assessment has been carried out in accordance with recommended guidelines published by CIPFA..

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.

Notes to the Statement of Accounts

The maturity analysis of financial liabilities is as follows:

	PWLB £000	A Bonds £000	Mortgages £000	Other £000	Credit Cover £000	Total £000
Less than one year	6,000	0	0	579	24	6,603
Between one and two years	0	3,104	0	0	24	3,128
Between two and five years	7,270	2,056	0	0	0	9,326
Between five and ten years	9,744	0	0	0	0	9,744
More than ten years	87,533	0	364	0	0	87,897
Totals	110,547	5,160	364	579	48	116,698

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

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 Surplus or Deficit on the Provision of Services will rise; at 31 March 2011, the Council does not have any borrowing at variable rates
- borrowings at fixed rates – the fair value of the liabilities will fall; a 1% increase in the average interest rate would result in a £4.865m reduction in the fair value
- investments at variable rates - the interest income credited to the Surplus or Deficit on the Provision of Services will rise; a 1% increase would result in a £1.085m increase in income
- investments at fixed rates – the fair value of the assets will fall; a 1% increase in the average interest rate would result in a £21.746m reduction in the fair value

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

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.

Notes to the Statement of Accounts

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 2011 of 1% would have resulted in a gain or loss of £0.104m being recognised in Other Comprehensive Income and Expenditure.

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.

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.

2009/10 £000		Note	2010/11 £000	
			£000	£000
	Income			
(94,943)	Council Tax Payers			(98,185)
(12,984)	Transfers from General Fund - Council Tax Benefit	CF1		(13,614)
(49,227)	Business Rate Payers	CF2		(49,591)
(157,154)				(161,390)
	Expenditure			
105,807	Precepts	CF3		110,432
	<u>Business Rates</u>			
48,971	- Payments to National Pool	CF2	49,331	
256	- Costs of Collection		259	49,590
438	Increase / (Decrease) in Provision for Bad Debt			575
	<u>Contributions - Previous Year's Fund Surplus</u>			
965	- General Fund			1,503
130	- Avon & Somerset Police			207
47	- Avon Fire Authority			75
156,614				162,382
(540)	Movement on Collection Fund Revenue Account			992
	Collection Fund Revenue Account	CF5		
(1,146)	Balance as at 1 April			(1,686)
(540)	Movement on Fund Balance			992
(1,686)	Balance as at 31 March			(694)

Notes to the Collection Fund

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	9,860	6/9	6,573
B - £40,001 to £52,000	17,033	7/9	13,248
C - £52,001 to £68,000	18,574	8/9	16,510
D - £68,001 to £88,000	14,549	9/9	14,549
E - £88,001 to £120,000	10,964	11/9	13,400
F - £120,001 to £160,000	5,645	13/9	8,154
G - £160,001 to £320,000	3,013	15/9	5,022
H - over £320,001	206	18/9	412
	<u>79,844</u>		77,868
Allowance for Losses on Collection			(863)
Allowance for New Properties			581
			<u>77,586</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 £1,423.32 per dwelling for 2010/11 (2009/10 - £1,391.60) after taking into account Parish variations and providing a 1.1% provision for unpaid bills (2009/10 - 1.1%).

The actual Council Tax income for 2010/11 was £111,798,889.25, dividing this figure by the "average Band D Tax" results in an actual tax base of 78,548 dwellings. The difference between this and the total "equivalent Band D dwellings" of 77,586 reflects:

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

Notes to the Collection Fund

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>2009/10</i>	<i>2010/11</i>
Total Non-domestic Rateable Value at 31 March	£119,989,310	£147,117,114
National Non-domestic Rate Multiplier - Standard	48.5p	43.3p
National Non-domestic Rate Multiplier - Small Business	48.1p	42.6p

CF3. Precepts

Precepts shown on the Fund Account are detailed below:

	<i>2009/10</i>	<i>2010/11</i>
	<i>£000</i>	<i>£000</i>
Avon & Somerset Police Authority	12,261	13,037
Avon Fire Authority	4,458	4,685
North Somerset Council (including Parishes)	89,088	92,710
Total Precepts	105,807	110,432

CF4a. Tax Payers' Arrears

	<i>31 March</i>	<i>31 March</i>
	<i>2010</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>
Council Tax Arrears	7,270	8,238
Business Rates Arrears	6,403	5,539
Gross Tax Payers' Arrears at 31 March	13,673	13,777
Council Tax Prepayments	(1,047)	(1,205)
Business Rates Prepayments	(657)	(347)
Total Tax Payers' Prepayments at 31 March	(1,704)	(1,552)
Total Net Tax Payers' Arrears as at 31 March	11,969	12,225

Notes to the Collection Fund

CF4b. Provision for Tax Payers' Bad Debts

	2009/10	2010/11	
	£000	£000	% of arrears at 31 March
Council Tax	4,243	4,851	58.89%
Business Rates	4,047	2,763	49.88%
Total Tax Payers' Bad Debt Provision	8,290	7,614	

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

	2009/10	2010/11
	£000	£000
Total prior years' surplus / (deficit) balance divided as follows:	1,686	694
Council tax belonging to North Somerset Council (see Note 28.6)	1,420	583
Council tax belonging to Precepting bodies, included within creditors in Balance Sheet		
- Avon & Somerset Police Authority	195	82
- Avon Fire Authority	71	29

CF6. Balance Sheet Items apportionment

The Council Tax Collection Fund balance sheet items have been apportioned between the precepting authorities as shown in the table below.

	Total	North Somerset Council	Police & Fire Creditor
	£000	£000	£000
Debtors	8,238	6,915	1,323
Bad Debt Provision	(4,852)	(4,072)	(780)
Prepayments & Overpayments	(2,638)	(2,215)	(423)
Surplus	(694)	(583)	(111)

The Council's Balance Sheet contains only one entry with regard to NNDR, either a government debtor or creditor. In 2010/11 the NNDR transactions resulted in a Government debtor of £3.864m, which is included in the Balance Sheet (2009/10 - £5.290m debtor).

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, properly accounted for, and used economically, efficiently and effectively.
- 1.2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, which includes ensuring a sound system of internal control and effective arrangements for the management of risk.
- 1.3. The Council has adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* in September 2008. A copy of our code is available from our website <http://www.n-somerset.gov.uk/>.
- 1.4. This Statement explains how North Somerset Council has complied with our Local Code of Corporate Governance and also meets the requirements of:
 - The Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, specifically Regulation 4(2) in respect of the preparation and publication of a Statement on Internal Control; and
 - The recent Accounts and Audit (England) Regulations 2011, specifically Regulation 4 (2) in respect of the annual review of the effectiveness of its system of internal control and Regulation 4 (4) in respect of the preparation and publication of an Annual Governance Statement.
- 1.5. The governance framework described in this statement has been in place at the Council for the year ended 31 March 2011, and up to the date of the approval of the Statement of Accounts.

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 the 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 identify and manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives, and so does not provide absolute assurance of effectiveness.

Annual Governance Statement

3. The Governance Framework

The key elements of the Council's governance framework (in bold) and the systems and processes in place to fulfil their objectives (underlined) are described below.

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

3.1 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 content 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; and
- 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 defined in the plan. The Council's Corporate Management Team, its most senior officer group, monitors Key Corporate Performance Indicators (KCPIs) regularly. Quarterly progress reports for the KCPIs identified in the Corporate Plan are presented to the Council's Executive and to Policy and Scrutiny Panels.

The North Somerset Sustainable Community Strategy

The Sustainable Community Strategy 2008-2026 "Improving our Communities Together" was launched on 22nd April 2008. The North Somerset Partnership brings together representatives from the public, business, voluntary and community sectors who have contributed to the formation of the plan.

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 the 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.

The Local Area Agreement (LAA)

The North Somerset LAA 2008-2011 is the key means of delivery of the shared priorities in the Sustainable Community Strategy. The LAA is aimed at improving the quality of life for local people through better joint working practices and by strengthening local services.

LAAs are an agreement between Government, the Council and its partners, setting out a series of local priorities, improvement areas and targets.

Annual Governance Statement

3.2 Reviewing the Council's vision and its implications for the Council's governance arrangements.

The 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.

3.3 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 which ensures that the Executive and Scrutiny Panels have quarterly reports on issues of substance 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 as set out in the Corporate Plan 2008-2011. The budget and progress against key corporate strategic projects are monitored this way.

Directors with their staff monitor performance quarterly, covering relevant key corporate performance indicators, key corporate strategic projects and directorate service priorities. Services and teams will regularly monitor performance of their Service plans and escalate appropriate matters to Directorate management teams.

3.4 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.

The Constitution

The Council has a published Constitution reviewed annually, last updated in June 2011. It 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.

There are clear rules of procedure for running meetings of the Council and its committees, and clearly defined structures for the reports considered at them. Reports contain clear reasons for decisions together with legal, financial, risk and equality considerations. At each Council or business meeting, members are required at the outset to declare any relevant interests.

The structure of the Council and its committees and agendas and minutes of all public meetings are available on the Council's 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 and the four Directors. The Head of Performance Improvement & Human Resources, the Strategic Policy Development Manager and Head of Legal & Democratic Services are co-opted members and can attend Corporate Management Team meetings. 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 very regularly, based on a pre-determined work plan. Key messages from meetings are agreed and are passed on to staff through a staff newsletter 'The Knowledge'.

Annual Governance Statement

3.5 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 in relation to councillors, co-opted members and church and parent governor representatives:

- Promoting and maintaining high standards of conduct by advising and training 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 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; and
- Taking an overview of the Anti-Fraud & Corruption Policy (which incorporates a “whistle-blowing” policy), complaints handling, Ombudsman investigations and the Constitution.

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, recognising that 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.

3.6 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 (published) Medium Term Financial Plan which sets out the strategic financial framework and is monitored regularly by managers.

Corporate Procurement Strategy

The Corporate Procurement Strategy 2005-08 follows the National Procurement Strategy and is still in use. A new Procurement Strategy is being compiled and is expected to be in place from Autumn 2011.

A set of Contract Standing Orders defines the framework for procurement competition and decision making in a transparent, legitimate and fair manner, and governs the purchasing of goods, services and works. These Orders are reviewed annually as part of the Constitution.

Risk Management

The Risk Management Strategy 2009-11 was approved by the Audit Committee on 17 March 2009. A revised Strategy for 2011-15 has been compiled and was approved by the Audit Committee in July 2011.

The Strategic Risk Register is a live document managed by the Corporate Risk Management Group, Corporate Management Team and the Audit Committee on a regular basis. It is approved annually by the Executive and was last reviewed on 17 February 2011. During 2010-11, the Audit Committee continued its programme of risk review workshops with Directors.

Annual Governance Statement

The Audit Committee approve the Annual Risk Management Improvement Plan and monitor progress in implementing the agreed actions. They also receive the Risk Management Annual Report.

The Corporate Risk Management Group is attended by the Executive Member for Human Resources, Asset Management and Finance 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 Working Group.

3.7 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).

To enable the authority's financial arrangements to conform with the key CIPFA governance requirements, the Director of Finance and Resources, in his role as the Council's s.151 Officer has ensured that:

- the Council's finance function is resourced fit for purpose; and
- is professionally qualified and suitably experienced.

The objectives of the Council's financial arrangements are aligned with the key objectives defined by CIPFA.

While the current global financial crisis has placed greater emphasis on this key function, the framework adopted by the Council ensures that appropriate importance is placed on financial management at all times, irrespective of external pressures.

3.8 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 three times *per annum*.

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.

The Audit Committee also has a wider role in oversight of the Council's Audit, compliance and fraud arrangements as defined in its charter.

3.9 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 (Monitoring Officer) were the Council's Statutory Officers during 2010-11.

The Statutory Officers meet every quarter or on an ad-hoc basis to discuss all significant control matters that may have an impact on delivery of objectives.

Committee Report Sign-Off

The Section 151 Officer and the Monitoring Officer approve, from a financial/risk management and legal/constitutional perspective, reports to the Executive and Council prior to submission for decision.

Annual Governance Statement

3.10 Whistle blowing and receiving and investigating complaints from the public.

Anti-Fraud & Corruption Policy Statement

An Anti-Fraud and Corruption Policy Statement was approved by the Council on 5 January 2010, and demonstrates the Council's commitment to act with integrity and promote 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.

Counter Fraud Strategy

A new Counter Fraud Strategy 2011-15 has been compiled and will be considered by the Audit Committee in July 2011. The investigation of allegations of fraud by the public are included.

Customer Complaints

The Council has a comprehensive customer complaints procedure and monitors its performance in responding to complaints. If not satisfied with the outcome of a complaint, the public may request that their complaint be examined by the Local Government Ombudsman.

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

Appraisal Scheme

The Council has a system of staff appraisal which is an integral part of the Council's performance management arrangements, is aligned to the business planning process and ensures the Council uses and develops its staff efficiently.

Leadership Development Framework (Leadership First)

The Council believes that continuous personal development by its managers is a key factor in its ongoing success. It therefore has a comprehensive programme of leadership development underpinned by a set of Leadership Standards of values and behaviours.

Corporate Training

All staff are provided within induction training upon commencement of their employment with the Council and all elected members are provided with induction training upon their election to office. The Council has a comprehensive programme of training courses for officers, managers and elected members.

3.12 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 representative local residents. 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 magazine which is sent out to 91,000 homes across the district each month. Copies are also made available at every Council office, libraries, leisure centres and schools. In December 2010, it was determined that the magazine is read by 85% of the adult population in North Somerset, about 150,000 people every month.

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Marketing and Communications Strategy

The Council has a Marketing and Communications Strategy 2008-11. 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.

3.13 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 Partnership is governed by an Executive and Board, has a defined performance framework with clear roles and responsibilities.

Children's and Families Partnership

The Children's Trust Management Board has been replaced by a more streamlined Children and Families Partnership. The Partnership is made up of leaders of the main statutory and non-statutory agencies responsible for children and young people's services within North Somerset. Terms of reference and other governance arrangements are clear, and the Partnership is continuing the close working between agencies established over recent years.

West of England Partnership/Local Enterprise Partnership (LEP)

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.

In June 2010 it established a Local Enterprise Partnership (LEP) operating as a company Limited by Guarantee governed by a Board comprising Council Leaders which meets regularly with a remit to deliver sustainable economic growth and competitiveness, focusing on "People, Business and Place". It is proposed that the West of England Partnership Board evolves into the Public Sector Co-ordination/Advisory Group to give advice and support to the LEP Board. The committees formed by the Partnership will be re-configured to reflect the objectives of the LEP, remaining accountable to the Councils.

Strategic Schools Forum (SSF)

The Strategic Schools Forum is a partnership arrangement with schools and other providers. The funding under the control of the SSF (in excess of £130m) represents the majority 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 and Families Partnership and use of Strategic Schools Forum resources. The Audit Commission recently rated the SSF one of the Top 10 in the country.

Responsible Authorities Group (RAG)

The Responsible Authorities Group is a statutory requirement of the 1998 Crime and Disorder Act and includes the Executive Member with responsibility for Community Services and Safety and the Chief Executive Officer, and his equivalents in the Police Authority, Primary Care Trust, Fire and Rescue Service, and Probation Service.

Annual Governance Statement

Strategic Partnership (Agilisys and Liberata)

The arrangements for the governance of the strategic partnership between the Council and its major service delivery partner (Agilisys) are included here to reflect the scale and importance of the arrangement put in place in 2010. Governance is controlled by two boards. A Strategic Partnership Board which meets quarterly comprising an Executive member, a Director of the Council and senior executives from Agilisys and Liberata, it monitors overall delivery and ensures alignment of overall partnership objectives. An Operations Board meeting very regularly, comprising senior managers from the Council's Client Team, together with the Agilisys Partnership Director and Liberata Service Centre Director, to monitor work programmes and delivery against agreed plans and Key Performance Indicators.

4. Review of Effectiveness

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

The Council annually reviews the effectiveness of its governance framework. The review is informed by the work of the internal auditor's Annual Assurance Report and statements from Directors and senior managers within the Council who have responsibility for the governance and internal control environment, and also by comments from external auditors and other review agencies and inspectorates.

This Annual Governance Statement describes the framework for Corporate Governance. 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. The Audit Committee approved the framework for the production of the Annual Governance Statement on 8 March 2011 and reviewed and approved the Statement on 12 September 2011.

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
- Head of Performance Improvement and Human Resources
- Strategic Policy Development Manager

Any significant issues identified in the Annual Assurance Statements are detailed in section 6 of this Statement.

The Annual Governance Statement was reviewed by the Corporate Management Team on 20th July 2011 and by the Leader of the Council and the Executive Member for Human Resources, Asset Management and Finance Services on 19th July 2011.

In accordance with Regulation 4 (4) of the Accounts and Audit (England) Regulations 2011, the Annual Governance Statement is certified by the Leader and Chief Executive Officer and accompanies the Annual Financial Statements which are reported to Council and signed by the Chairman of the Council.

The Audit Committee review and approve this Annual Governance Statement prior to its certification and may refer matters arising from it to Policy & Scrutiny Panels.

The Chief Financial Officer chairs the Finance Standards and Strategy Group which is the Council's designated Corporate Governance Group. This group evaluates and reviews this statement, before recommending it to the Audit Committee for approval.

The Local Code of Corporate Governance, is considered by the Standards Committee and certified by the Executive every three years, next due in 2011. It underpins this Annual Governance Statement.

The Information Governance group, chaired by the Monitoring Officer, is the designated governance group for information security and governance arrangements.

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Internal Audit - Audit, Risk and Information Service

The Council's Audit Charter sets out the responsibilities of Directors and Service Managers for ensuring that internal control arrangements are sufficient to address the risks facing their Services including the risk of fraud and corruption. The Audit, Risk and Information Service monitors internal audit, risk and control matters and reports to the Audit Committee.

The Head of Audit, Risk and Information considers the main financial and operational systems of the Council annually and in conjunction with Directors produces an Audit Plan focussed on key risks. The plan is adjusted throughout the year to take account of a changing risk environment. The Audit Committee approves and monitors the plan on behalf of the Director of Finance & Resources.

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 Council's systems of internal control. The report for 2010-11 will be submitted to the Audit Committee and provides an overall opinion on all of the Council's core financial systems and also provides for reporting of key matters identified through the annual audit coverage, summarised here.

- Significant outstanding audit recommendations up until 30 June 2010 were reported to the Audit Committee on 28 September 2010 and 17 March 2011.
- The Council's core financial systems have maintained an overall audit opinion of "effective", although two findings of limited effectiveness in specific systems were also reported.
 - "Central Accounting – External Audit Key Controls" because revised processes will be implemented in the Council's new financial management software system, "Agresso" in 2011-12.
 - "Cash & Bank – Cash Receipting System Internet and Web Pilot" process improvements to be made in 2011-12.
- The internal audit reviews completed during 2010-11 have resulted in an overall internal audit 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
 - appropriate arrangements are operated to deter and detect fraud.
- All potentially significant internal control issues identified in 2010-11 by Audit, Risk and Information were referred to the Finance Standards & Strategy Group. Those considered to represent a significant internal control issue are included in section 6 of this statement.

On behalf of the Council the Audit Committee conducted a review of the effectiveness of internal audit. To achieve this, the Audit Committee Chair appointed a working party consisting of the Chair, two Audit Committee Members and one independent person Member of the Audit Committee.

The recommendation from the working party, accepted by the Audit Committee, is that overall the Internal Audit function of North Somerset Council was effective for the period 2010-11.

All areas of internal audit examined were considered effective by the working party but three areas for further improvement were noted, these relate to additional assurance over the follow up of audit recommendations, independence given the current F&R Directorate structure and the Council's contract management arrangements. They will be addressed by the Audit Committee in 2011-12.

Annual Governance Statement

4.2 Other Contributory Review/Assurance Mechanisms

Finance Standards & Strategy Group

See above.

Business Improvement Programme Delivery Group (BIPDG)

The BIPDG is a cross-Council group that co-ordinates the Council's major business change initiatives. The Programme contains key projects that contribute to the Corporate Aim of *Improving the Way We Work*, and specifically to improve performance, reduce costs and achieve better customer focus by making changes to the way that services are delivered.

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.

The External Auditors, the Audit Commission, report formally to the Council in an Annual Audit Letter, which for 2009-10, was presented to the Executive on 26th October 2010. This report identified:

- The Council's governance is robust and means the Council can deliver better outcomes for local people;
- An unqualified audit opinion was issued on the 2009-10 financial statements;
- The arrangements for achieving value for money were satisfactory. The Council met all of the value for money criteria;
- The Council has satisfactory arrangements to manage its assets and workforce.

Improvements in controls for 2009-10 accounts were identified as necessary during work conducted in 2010-11. The Council's replacement financial management system was expected to address these improvements. The External Auditors opinion in 2010-11 remains that potential, limited weaknesses in controls in the Council's creditors and debtors systems require further assurance.

4.3 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 2010-11 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.

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.

Risk Management Arrangements

An independent review of the Council's Risk Management arrangements by PriceWaterhouseCoopers in early 2010-11 confirmed that the procedures relating to risk management are administered to satisfactory standard at the corporate level, but procedures were weak at a Directorate level. Measures to address these issues were put in place and implemented during 2010-11.

Annual Governance Statement

5. Annual Governance Statement for 2009-10 - Update on Significant Issues during 2010-11

Issue in 2009-10 & Mitigating Actions for 2010-11	Progress in 2010-11
5.1 - Business Continuity	
<p>2008-09 - Improvements were required to ensure that the Council has adequate and effective business continuity arrangements in place.</p> <p>2009-10 - Business Continuity Plans and resilience arrangements not fully tested within the year. ICT resilience enhanced by establishment of backup data centre.</p> <p>2010-11 - Following an internal audit management report on the Council's Business Continuity arrangements, which identified that they may not be fully effective, a plan was adopted by CMT for implementation in 2010-2011 and 2011-12.</p>	<p>Corporate Management Team (CMT) agreed a plan to improve the Council's business continuity arrangements with an emphasis on testing of vital services and resources.</p> <p>Revised arrangements recognise the significant changes that have taken place recently, for example the Office Amalgamation Programme, partnering with Agilisys/Liberata and the budget reduction programme.</p> <p>A revised Business Continuity Strategy 2011-15 is being compiled and will be approved by CMT and the Executive during Summer 2011.</p> <p>Audit testing of five business continuity plans for vital services, one per Directorates, in the last quarter of 2010-11 showed the plans to be effective.</p> <p>No longer considered a significant control issue.</p>

Annual Governance Statement

Issue in 2009-10 & Mitigating Actions for 2010-11	Progress in 2010-11
5.2 - Freedom of Information Act (FOIA) and Data Protection Act (DPA)	
<p>2009-10 - The review of FOIA and DPA Information Requests identified that the Council's current performance in responding to requests under both regimes is not effective.</p> <p>2010-11 - Corporate Management Team requested that an action plan be produced to address the Council's performance in this area. The Information Governance Group implemented the action plan, which has been reported to the Corporate Management Team and Audit Committee.</p> <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 • other ICO intervention. 	<p>Action Plan agreed by CMT (June 2010) and Audit Committee (September 2010).</p> <p>Information Governance & Compliance Team leading implementation with most objectives completed by May 2011.</p> <p>FoI and Subject Access request performance data now reported in CMT's quarterly Strategic Balanced Scorecard.</p> <p>Initial assessment of progress:</p> <ul style="list-style-type: none"> • Quarter four 2010-11 average FoI response time fell to 19.5 working days; a record number of requests received and closed, and a slight increase in overall performance, with 61% of responses provided within the statutory timescale. • February 2011 - average response 25.3 days, • March 2011 – average response 19.5 days, • April 2011 – average response 18.9 days • May 2011 - average response 15.1 days. <p>The Council's performance is being monitored for the three months April - June 2011 by the Information Commissioner's Office (ICO). This significant control issue has been incorporated into the "Information Governance, Information Security and e-safety" significant control issue shown at 6.1 below.</p>

Annual Governance Statement

6. Significant Governance, Internal Control and Risk Management Issues for 2010-11

Issue in 2010-11	Mitigating Actions for 2011-12
6.1 - Information Governance, Information Security & e-safety	
<p>The following identified areas of weakness in information governance and security arrangements, identified by internal audit, place the Council at increased risk:</p> <ul style="list-style-type: none"> • customer service failure or delays – potential risks to customers; • the Council's reputation - resulting in service users withholding information or partners / external organisations being unwilling to participate in sharing, to the detriment of services; and • ICO intervention - fines of up to £500,000 and other forms of intervention. <p>Freedom of Information Act (FOIA) and Data Protection Act (DPA)</p> <ul style="list-style-type: none"> • The Council's performance is being monitored for the three months April - June 2011 due to previous performance issues. The Council is due to provide final performance data to the Information Commissioner's Office (ICO) in August 2011. • There remains a risk that the ICO may consider further action should the Council's performance not improve sufficiently. 	<p>Freedom of Information Act (FOIA) and Data Protection Act (DPA)</p> <p>Ensure the current improvement in performance is maintained by:</p> <ul style="list-style-type: none"> • monitoring and reporting performance to Corporate Management Team and the Information Governance Group, to flag any performance issues early and escalate accordingly; • monitoring Directorate progress with the proactive disclosure commitments of the Action Plan; and • continuing to hold quarterly Directorate Administrator workshops to identify issues and ensure up to date guidance and case law is available within each Directorate.

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Issue in 2010-11	Mitigating Actions for 2011-12
<p>Information Sharing arrangements between the Council and partner organisations</p> <p>The sharing of personal information between organisations is essential for the delivery of joined up, effective services. Information between the Adult Social Services & Housing and Children & Young People’s Service Directorates and partner organisations is extensive in the context of the protection of vulnerable children and adults. The sharing must also comply with the Data Protection Act (DPA) to ensure that the rights of individuals to privacy are met.</p> <p>An audit review of Information Sharing Arrangements concluded that the governance of the arrangements for sharing between ASS&H and C&YPS and its partners is ineffective.</p> <p>Information Governance in Schools</p> <p>Schools are responsible for their compliance with the information governance legislation (Data Protection Act, Freedom of Information Act, and Environmental Information Regulations).</p> <p>Audit reviews of information governance and ICT arrangements in Secondary Schools identified the following weaknesses:</p> <ul style="list-style-type: none"> • Encryption – majority of schools are not using encryption to protect laptops and removable media; • Passwords – controls do not meet industry best practice; • Backups – procedures insufficiently robust; • Policies and Procedures – incomplete, weak governance. <p>Weaknesses have the potential to breach DPA – for example, if an unencrypted laptop is lost or stolen.</p>	<p>Information Sharing Arrangements (Adult Social Services & Housing and Children & Young People’s Service Directorates)</p> <ul style="list-style-type: none"> • Agreement from ASS&H and C&YPS to undertake a review of information sharing to establish the full extent and processes of information sharing. • Agreement from ASS&H and C&YPS to put in place any necessary additional protocols, second-level agreements and guidance to increase assurance and ensure sharing arrangements benefit service users. • A programme to be defined which considers, and where necessary addresses, improvements needed in officer culture, awareness, training, development, and resources. <p>Information Governance in Schools</p> <ul style="list-style-type: none"> • Undertake further, detailed audit reviews of information governance in Primary and Secondary Schools – reporting lessons learnt and making recommendations. • Raise awareness of the potential risks of non-compliance with information governance legislation; engage with Governor Services and e-safety project to ensure advice and assistance available to schools is up to date and relevant and where appropriate create action plans for schools.

Annual Governance Statement

Issue in 2010-11	Mitigating Actions for 2011-12
<p>e-Safety in Schools</p> <p>Recent incidents within North Somerset schools have highlighted the need to comprehensively review e-Safety arrangements.</p> <p>Internal audit have, through collaborative review with a small number of North Somerset Schools, and also the work in relation to information governance outlined above, identified that the risks to both pupils and schools staff arising from modern communications media, particularly the internet, but also mobile phones, require review leading to appropriate management actions.</p>	<p>e-Safety in Schools</p> <p>A serious safeguarding issue in a North Somerset School has led to a Serious Case Review, the outcomes of which may include actions for Schools locally and nationally, and may reflect matters relating to e-safety. At this stage the overall level of safeguarding in Schools is not considered a significant control issue, but the level of risk needs to be considered in conjunction with other e-safety incidents, and any lessons need to be learned.</p> <p>To address the need for robust e-Safety arrangements, in conjunction with addressing the information security risks (as outlined above), the Council will:</p> <ul style="list-style-type: none"> • undertake a programme of review of the arrangements in Schools; to include some self-assessment; • work with Schools to compile action plans to address areas where the arrangements need improvement; • monitor and report on the progress Schools make in addressing the areas for improvement and any ongoing weaknesses; • embed e-Safety and information security into Schools culture.

Annual Governance Statement

Issue in 2010-11	Mitigating Actions for 2011-12
<p>6.2 - ICT Asset Management</p> <p>An internal audit review of ICT assets and inventories concluded that organisational control over ICT assets and inventories remains ineffective. This issue was included in the Annual Governance Statement until recently and the current weaknesses appear to be those that have pertained previously:</p> <ul style="list-style-type: none"> • The management of ICT assets is not currently in line with best practice guidelines. The asset register does not give sufficient and accurate details on the location, specification, configuration and current ownership of assets. • The asset register is not updated to reflect all changes in starters, leavers, internal transfers and restructures. • Information security issues arise from the weaknesses in controls around staff internal transfers. 	<p>Improvements to the controls around the ICT assets and inventories and ensure that the asset register is administered in line with best practice are to be implemented during 2011- 2013:</p> <ul style="list-style-type: none"> • Agilisys will develop an action plan to begin immediately, setting out their approach and objectives to improve the management of the ICT assets and provide a commitment to working towards best practice guidelines. • A robust change management system that captures all changes to ICT assets will be put in place to ensure that all changes, modifications and allocations are accurately captured and recorded. • A review of the allocation of software licences and their usage will be conducted to ensure that the Council has sufficient software licenses for its usage, that the software licences are appropriately allocated, matched to installations, and being deployed in an efficient manner. • Agilisys and Internal Audit will collaborate on improvements to processes around staff internal transfers and a plan to align information access to current roles.
<p>6.3 – Contract Management</p> <p>Internal audit reviews and a report commissioned from external consultants have identified weaknesses in the operation and management of some of the Council's contracts.</p> <p>This work has identified widespread general areas for improvement in governance, contract and performance management arrangements across a number of the council's contracts.</p> <p>A particular incident in relation to the waste collection service identified a lack of control over the contingency planning.</p>	<ul style="list-style-type: none"> • The Council has appointed an interim senior manager to oversee the implementation of an improvement plan and develop a corporate contract management strategy. • Following the disruption of waste services encountered during the severe weather the occurred in December 2010 and January 2011, a "lessons learnt" action plan has been developed and is in the process of being implemented. In particular, contingency and recovery plans have been developed by the contractor and have been tested through a scenario exercise. The plans provide an improved platform for dealing with adverse weather events, but further detail is required in order to develop a conclusive view on the operational confidence that can be placed on the plan at this stage.

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 2011-12 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: Nigel Ashton
Leader of the Council



Signed: Graham Turner
Chief Executive Officer

Date: 20 September 2011

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTH SOMERSET COUNCIL

Opinion on the Authority accounting statements

I have audited the accounting statements of North Somerset Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of North Somerset Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Director of Finance and Resources and auditor

As explained more fully in the Statement of the Director of Finance and Resources Responsibilities, the Director of Finance and Resources is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of North Somerset Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

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

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Independent Auditor's Report

Conclusion on Authority's 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 to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, North Somerset Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

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



Brian Bethell
Officer of the Audit Commission

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

30 September 2011

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.

Accounting Statements

The Council's Core Financial Statements and Supplementary Financial Statements.

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 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 non-current 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.

Approved Institutions

Funds that are not immediately required may be invested but only with third parties meeting the credit rating criteria approved annually as part of the Council's Treasury Management Policies and Practices.

Asset

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

Audit of Accounts

An independent examination of the Council's financial affairs.

B

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 non-current 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 Programme

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

Capital Receipts

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

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 Non-Current 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 Asset

A possible asset that arises from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

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.

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.

Glossary of Terms and Abbreviations

C

Curtailment (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.

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.

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.

Glossary of Terms and Abbreviations

E

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.

G

General Fund (GF)

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

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.

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.

Glossary of Terms and Abbreviations

I

Individual Schools Budget

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

Infrastructure Assets

Non-current 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.

Inventories

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

Investment Property

Land and Buildings non-current 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*

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.

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.

Glossary of Terms and Abbreviations

N

Net Book Value (NBV)

The amount at which non-current 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.

Non-Current Assets

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

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

Non-current 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.

Glossary of Terms and Abbreviations

P

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.

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

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.

Glossary of Terms and Abbreviations

R

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.

Revenue Expenditure

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

Revenue Support Grant

A general grant paid by the Government to Council's contributing towards the costs of their services.

S

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.

Supported Borrowing

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

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
DFE	Department for Education
DEFRA	Department for Environment, Food & Rural Affairs
IFRS	International Financial Reporting Standard
LAAP	CIPFA's Local Authority Accounting Panel