

2007/2008

STATEMENT OF ACCOUNTS

(including the External Audit Opinion)

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Explanatory Foreword

The Statement of Accounts, set out in the following pages, describes the Council's financial affairs for the year ended 31 March 2008. The format of the accounts follows best practice as defined in the Code of Practice on Local Authority Accounting and various other statutory codes. By definition the accounts are technical and this reflects the prescriptive nature of local authority accounting. The notes to the accounts are intended to assist in understanding. If any further information or explanation is required, please contact the Council's Financial Management Section (01934 634619).

Changes in Accounting Practice

This years Accounts have been produced in accordance with the Statement of Recommended Practice 2007. This Statement has introduced changes in the way that Authorities report their financial position. Some new accounting entries have been introduced such as the Revaluation Reserve and the Capital Adjustment Account replacing the Fixed Asset Restatement Account and the Capital Financing Account, the effect of which is explained in the detailed notes on page 79. A further new development is accounting for Financial Instruments and the SORP 2007 introduces specific accounting arrangements for this, briefly a financial instrument is any contract which means there is a financial asset in one organisation and a financial liability in another. These changes build upon those introduced in the SORP 2006 which introduced a number of new primary statements, continuing the aim to improve comparability as well as moving the accounts in line with UK GAAP (Generally Accepted Accounting Principles).

The principal statements included in these Accounts are:

Income and Expenditure Account (page 46)

This reports the cost of providing the major Council services and shows how these services were paid for by income from service users, the government and local Council Tax payers. A summary of the Income and Expenditure Account for 2007/2008 and the comparison with the budget for the year is shown below.

	BUDGET	ACTUAL	VARIANCE	
	£000	£000	£000	%
SERVICES				
Children & Young People's Services	31,588	31,753	165	0.52
Adult Social Services & Housing	43,945	44,035	90	0.20
Development & Environment	40,446	40,636	190	0.47
Finance & Corporate	10,001	10,045	44	0.44
Capital Financing	11,334	10,082	(1,252)	(11.05)
Other	(10,582)	(10,582)	0	0.00
	126,732	125,969	(763)	(0.60)
Windfall Savings / Income	0	(538)	(538)	-
	126,732	125,431	(1,301)	(1.03)

The Council is able to contribute £1.301m to reserves in 2007/08 as a result of savings and underspends achieved. Of this sum £538,000 relates to one-off windfall income. The remaining £763,000 represents an underspend on the Council's revenue budget. This position was a result of the action taken to mitigate the financial impact of severe service pressures in particular areas, notably within Adult Social Care. This pressure was largely offset by increased levels of interest on available balances.

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The table below details of all of the movements on the General Fund balance in addition to the contribution of £1.301m highlighted on the previous page. The table shows a decrease in overall level of reserve due to planned use during 2007/08.

	£000	£000
General Fund Balance brought forward		9,648
In year activities		
Revenue underspend	1,301	
Planned support of Revenue Budget	(966)	
Planned support of Capital Budget	(130)	
Transfer from earmarked revenue reserves	207	
Restatement of reserves – financial instruments	9	
Financing of compensation payments	(1,021)	
Financing of Queen’s visit	(16)	
Transfer to LAA Reserve to be repaid in three years	(330)	
In year movement	(946)	(946)
General Fund Balance carried forward		8,702

The overall movement on the General Fund Balance as displayed in the above table is highlighted in one of the core financial statements, the Statement of Movement on the General Fund Balance on page 47.

Statement of Total Recognised Gains and Losses (page 48)

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

Balance Sheet as at 31 st March 2007 £000	Total movement in net worth during 2007/2008 £000	Balance Sheet as at 31 st March 2008 £000
103,303	(65,666)	37,637

The major reason for the reduction in the net worth of the Council is the in-year deficit on the Avon Pension Fund, which is highlighted further on the following page.

Balance Sheet (pages 49 - 50)

This shows the Council's financial position at 31 March 2008, listing the value of assets and liabilities. Extensive notes are provided to assist in understanding the detail in the Balance Sheet. The Council manages fixed assets worth £299m. The Council spent £32m on new capital projects during the year, investing in assets which will benefit the community of North Somerset for some years, the major schemes being Schools £10.5m, Housing £6.5m and Development and Environment £12.5m. These projects were funded by borrowing of £6.3m, grants and contributions of £17.1m, and capital receipts and revenue contributions of £8.7m.

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At the year-end, any slippage or re-phasing of 2007/08 schemes, together with newly approved schemes for 2008/09 have been included in an agreed funding plan which fully meets these spending demands. As at 31 March 2008, the amount of expenditure that is currently financed from long term borrowing, either external or internal had reached £116.25m from the opening requirement of £112.59m. The vast majority of the external long-term borrowing has been arranged with the Public Works Loan Board.

Current assets, which are those assets the Council has access to, such as cash and debtors, exceed current liabilities, such as creditors, by £78.754m, a healthy position being managed proactively.

Cash Flow Statement (page 51)

This summarises the movement of cash arising from all the activities of the Council. Over the year the amount of cash held by the Council decreased by £5.437m on transactions of approximately £992.0 m.

Collection Fund (page 91)

This details the Council's activities in collecting Council Tax and National Non-Domestic Rates (NNDR). At the year-end the Fund had a deficit balance of £194,000, of which £21,000 is due from Avon & Somerset Police, and £8,000 from the Avon Fire Authority, leaving £165,000 being due from North Somerset Council. Council Tax gross debts of £6.1m (from all previous years) were outstanding at the year-end, which the Council is making every effort to collect. Provision has been made for non-collection of £3.2m. The level of gross National Non-Domestic Rate arrears stood at £6.0m, with a £3.3m provision for bad debts. During the year, sums of £89,000 NNDR, and £2.2m Council Tax irrecoverable arrears were written off to the relevant bad debt provisions.

Avon Pension Fund Reserve (page 82)

The Council's element of the Avon Pension Fund Reserve deficit stood at £134.313m as at 31 March 2008. This is an increase of £60.933m over the opening deficit for the year of £73.380m. This substantial increase in the deficit is mainly due to investments having under performed significantly over the year compared to initial assumptions.

Other factors that have had a negative effect on the deficit are:

Differences between actuarial assumptions about liabilities and actual experience, which has resulted in an adjustment to align the pensions liability figure with the results of the full actuarial valuation at 31 March 2007.

Change in demographic and financial assumptions used to estimate liabilities: this movement is due to assumptions of increasing life expectancy, leading to an increase in liabilities of the order of just under 10%. This has been partially offset by less conservative financial assumptions, as yields on corporate bonds are rising to a greater extent than inflation.

Overall Situation and Outlook

Following election in May 2007, the new Executive set its nine priorities at an early stage. A key priority was to 'maintain an affordable and sustainable level of council tax increase'. In support of this priority, the Executive set strategic principles which would be used to deliver this priority

The strategic principles underpinning the Council's budget and corporate plan are:

- Restricting annual council tax increases to less than the rate of general inflation
- Ensuring that the North Somerset Band D council tax remains in the lowest 20% of all councils in the south west
- Not depending on reserves and balances to fund recurrent expenditure
- Maintaining a prudent, but not excessive, level of reserves and balances and using any surplus wisely to invest to achieve future benefits

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- Lobbying the government to improve the funding provided to North Somerset
- Continuing to influence others, such as government, other public bodies, or other entities to attract investment to North Somerset
- Challenging the government where it provides funding for initiatives that comes with long-term liabilities to local taxpayers
- Where central government imposes fines (e.g. LATs) or sudden reductions in funding, to recognise that the council may have no option but to pass these on to local taxpayers
- Challenging proposed and current spending, to ensure that all the council's spending is necessary and provides value for money
- Actively mitigate the spending pressures and risks facing the council
- Grasping efficiency improvements, and realising cash savings.
- Generating extra income
- Identify those activities from which we will withdraw or pull back, in order to ensure that spending is focused on doing the important things well and looking to.
- Prioritising our own limited capital resources to invest wisely in projects.
- Supporting our staff to be innovative and to identify new ways of working to deliver efficient services

These principles will need to be delivered against a challenging funding regime set by the Government. A key objective of the Government is to build on the efficiency agenda, with at least 3% value for money savings per year over the next three years. Such an agenda is expected to generate £30billion of annual savings by 2010/11 across central and local government.

In addition, via 'damping arrangements', the Government, ensures that each local authority achieves a set minimum increase in its grant each year, known as the floor increase, and it does this by taking grant from other authorities, such as ours.

For 2008/09, North Somerset will receive £2.566m less, via this process, with a further £2.5m in each of the next two years. When bringing together the cost of this arrangement for all other Councils in the Avon and Somerset area as well as the police and fire authorities, the region will lose £37.3m of funding in 2008/09 alone.

Government Grant increases of 3.7% and 3.5% for 2009/10 and 2010/11 fail to meet the Council's projected inflationary needs let alone the demographic costs of coping with a growing population that has an increasing reliance on adult social care provision. The Executive continues to press for a meeting with a government minister in order to make the case for fair funding for North Somerset

Significant extra costs are expected between 2009 and 2011 from the Government's taxation of household waste being disposed to landfill, and from the rapidly growing number of people aged 85 and above who have the greatest need for adult social care services.

Their provision, together with the general financial outlook, require the Council to adopt a robust medium-term financial strategy in order for it to ensure continued strong financial standing whilst achieving the commitment to the taxpayer of North Somerset.

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

June 2008
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Statement of Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2007/08 financial year and its position at the year-end of 31 March 2008. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2007 – A Statement of Recommended Practice* (the SoRP). The content, layout and general rules we have used to prepare these accounts are those recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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

1. Group Accounts

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

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

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

2. Tangible and Intangible Fixed Assets

i) Categorisation

Fixed Assets are categorised into two classes:

- **Intangible Assets:**

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

- **Tangible Fixed Assets:**

- Operational Assets: Assets held and occupied for the direct delivery of services or administrative purposes on a continuing basis, including infrastructure and community assets.
- Non-Operational Assets: Assets held but not directly occupied or used in the delivery of services, including assets held primarily for investment purposes, surplus assets awaiting disposal and land and buildings in the course of development but not yet completed (assets under construction).

ii) Recognition

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

Statement of Accounting Policies

iii) Measurement

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

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

iv) Revaluation

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

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income & Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 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.

v) Depreciation

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

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

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

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Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Grants & Contributions

Where grants or external contributions are received to fund the acquisition of Fixed Assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

vi) Amortisation of Intangible Assets

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

vii) Impairment

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

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

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

viii) Charges to Revenue for Fixed Assets

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

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

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations and therefore these charges to the Income & Expenditure Account are reversed out in the Statement of Movement on the General Fund Balance by way of a charge to Capital Adjustment Account.

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

ix) Disposal and gains or losses on disposal

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

- The value of the asset in the Balance Sheet is written off to the Income & Expenditure Account as part of the gain or loss on disposal.
- Receipts from disposals are credited to the Income & Expenditure Account as part of the gain or loss on disposal (i.e. they are netted off against the carrying value of the asset at the time of disposal).
- Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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- Amounts in excess of £10,000 are categorised as capital receipts and are required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

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

3. Minimum Revenue Provision (Debt Redemption)

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

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

4. Deferred Charges

Deferred charges are payments of a capital nature where no fixed asset is created. They include Disabled Facilities Grants and grants to local housing associations. Deferred charges incurred during the year have been written off as expenditure to the relevant service revenue account.

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

5. Capital Financing

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

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

Capital Financing Requirement

A key definition under the Code is the Capital Financing Requirement (see Note 24.3, page 66). Local Authorities have a number of means available for financing capital investment. The term 'financing' refers to the resources that are applied to ensure any underlying amount arising from capital payments is dealt with immediately and absolutely. If capital payments are not dealt with in this way, it will lead to an increase in the Council's Capital Financing Requirement.

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

6. Financial Liabilities

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

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

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

7. Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income & Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principle receivable and interest credited to the Income & Expenditure Account is the amount receivable for the year in the loan agreement.

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

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income & Expenditure Account.

Available-for-sale Assets

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

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

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

Changes in fair value are balanced by an entry in the Available-for sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income & Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

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

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

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

8. Interest on Internal Balances

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

9. Provisions, Contingent Liabilities and Contingent Assets

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

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

Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision in the Balance Sheet.

Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

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

Contingent liabilities and contingent assets are not recognised as liabilities or assets. However, a contingent liability will be disclosed if the possibility of an outflow of economic benefit to settle the obligation is more than remote. A contingent asset will be disclosed if an inflow of economic benefit is probable. (See Note 36, page 76)

Statement of Accounting Policies

10. Reserves

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

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

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

Fixed Assets

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

- Revaluation Reserve – records unrealised gains arising from holding fixed assets (from 1 April 2007); see Note 39.3 (page 79).
- Capital Adjustment Account – provides a balancing mechanism between the different rates at which assets are depreciated under the SoRP and are financed through the capital controls system; see Note 39.2 (page 79).

Pensions

The Pensions Reserve is a notional reserve used to reverse out the net effects of the requirements of *FRS17 Retirement Benefits* to ensure that there is no overall impact on the local tax requirement. The reserve will always be equal and opposite to the Council's share of the pension fund's net assets or liabilities; see Note 40 (pages 82 - 86).

Financial Instruments

Two reserves are kept to manage the accounting requirements for Financial Instruments; see Note 31 (pages 70 - 74):

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

Capital

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

- Useable Capital Receipts Reserve – holds the residual funds from the sale of assets that can be used to fund future capital expenditure; see Note 39.6 (page 80).
- Major Repairs Reserve – the residual balance of former Housing Revenue Account Subsidy paid in the form of the Major Repairs Allowance; see Note 39.7 (page 81).

Statement of Accounting Policies

11. Accruals (Debtors & Creditors)

The Council operates its revenue and capital accounts on an accruals basis in accordance with *FRS18 Accounting Policies*; i.e. sums due to or from the Council are recorded in the accounts for the year that activity takes place, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

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

12. Bad Debt Provisions

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

- Sundry debtors - any outstanding debt raised prior to 1 April 2000, a 100% provision is made.
- Debt raised since 1 April 2000 - each service area has considered individual debts and makes a suitable provision based upon the available information.
- Rent Allowances and Rent Rebate Overpayments – 100% provision for debt more than 1 year old, 75% for 2007/08 outstanding debt.

With regard to the Collection Fund:

- Community Charge arrears - 100% provision
- Council Tax & NNDR – provision is based on an analysis of the recovery stage reached by the Council's contractor in collecting the sums due. These range from a 2% provision for debt where a bill has only been sent out within the last month, a 40% provision where a summons has been issued and Liability Order raised, a 65% provision where the debt has been referred to the Bailiffs and a 100% provision where there is no trace of the debtor concerned.

Statement of Accounting Policies

13. Stocks & Work in Progress

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

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

14. Retirement Benefits

The entries in the Statement of Accounts in respect of retirement benefits are made in accordance with *FRS17 Retirement Benefits*. Although a complex accounting standard, it is based on the simple principle that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future. In this way the accounts represent the employer's commitment to increase contributions to make up any shortfall in attributable net assets, or its ability to benefit (via reduced contributions) from a surplus in the scheme.

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

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

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

The Teachers' Pensions Scheme

The arrangements for the teachers' scheme are such that the liabilities are not readily identifiable to the Council. The liability has therefore been calculated based on the application of an actuarial factorisation established in *Local Authority Accounting Panel Bulletin No. 51 - "Guidance on the Application of the New Disclosure Notes for Pension Costs"*, and has involved multiplying both the new payments made in year re on-going payments and payments made in the year in respect of prior years by a factor of 19.

It is recognised that this calculation is somewhat crude in nature but due to a lack of more detailed information a more precise calculation is not possible.

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 6.1%, calculated as a weighted average of "spot yields" on AA rated corporate bonds. This is a change from the approach previously adopted of basing the discount rate on the yield of iBoxx Sterling AA corporate bond over 15 years index, to reflect more accurately the duration of the pension liabilities of LGPS employers.
- Assets within the scheme attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities - mid-market value
 - unquoted securities - professional estimate
 - unitised securities - average of the bid and offer rates
 - property - market value

Statement of Accounting Policies

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

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

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

Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income & Expenditure Account

Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income & Expenditure Account

Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income & Expenditure Account as part of Non Distributed Costs

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

Contributions paid to the fund – cash paid as employer's contributions to the pension fund.

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

Discretionary Benefits

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

Somerset and Gloucestershire County Council Schemes

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

15. Leases

Finance Leases

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

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

Statement of Accounting Policies

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

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

Authority as Lessor

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

16. Government Grants (Revenue)

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

17. Government Grants (Capital)

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

18. Overheads and Support Service Costs

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2007*. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received e.g. each section's salaries and related costs are allocated according to time spent by staff on particular services, office accommodation costs are recharged according to the floor area occupied, etc.

The exceptions to this are:

- Corporate and Democratic Core : costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs : the cost of discretionary benefits awarded to employees retiring early.

These two cost categories are accounted for as separate headings in the Income & Expenditure Account, as part of Net Cost of Service.

19. VAT

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

20. Prior Period Adjustments

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

Statement of Accounting Policies

21. Events After the Balance Sheet Date

Post Balance Sheet events are accounted for in accordance with *FRS21 Events After the Balance Sheet Date*, including the requirement to disclose the date that the financial statements are authorised for issue. This establishes the date after which events will not have been recognised in the Statement of Accounts, which is 17 June 2008.

22. Changes in Accounting Practice

The 2007 SoRP has introduced substantive changes aimed at addressing the move toward aligning local authority accounts closer to general accepted accounting practice and international financial reporting standards.

- **Financial Instruments** – until recently financial instruments were not covered comprehensively by UK financial reporting standards. This situation changed with the issue by the Accounting Standards Board of *FRS26 Financial Instruments: Recognition and Measurement* and *FRS25 Financial Instruments: Presentation and Disclosures*. More recently *FRS29 Financial Instruments: Disclosures* has replaced the disclosure requirements of FRS25 but not the presentation requirements.

The 2007 SoRP requirements are now based on *FRS25*, *FRS26* and *FRS29* covering the accounting, presentation and disclosure requirements for financial instruments.

- **Capital Accounting** – the 2006 SoRP set out changes to Capital Accounting which would come into effect on 1 April 2007 i.e. implementation of a Revaluation Reserve and Capital Adjustment Account to replace the Fixed Asset Restatement Account and the Capital Financing Account. These provisions have now been consolidated fully into the 2007 SoRP.

Revaluation Reserve – records the accumulated gains on the fixed assets held by an authority arising from increases in value, as a result of inflation or other factors (to the extent that these gains have been consumed by subsequent downward movements in value).

The Reserve is also debited with amounts equal to the part of depreciation charges on assets that has been incurred only because the asset has been revalued. On disposal, the Revaluation Reserve balance for the asset disposed of is written out to the Capital Adjustment Account.

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

Capital Adjustment Account – the Account accumulates the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It also accumulates the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (deferred charges).

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

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

Statement of Responsibilities

North Somerset Council's Responsibilities

North Somerset Council is required:

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

The Director of Finance and Resources' Responsibilities

The Director of Finance and Resources is responsible for the preparation of the Council's Statement of Accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code"), the Best Value Accounting Code of Practice issued by CIPFA, the Prudential Code, Statements of Standard Accounting Practice (SSAPs) and Financial Reporting Standards (FRSs), which require the Council to 'present fairly' the financial position of the authority and its income and expenditure for the year ended 31 March 2008.

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

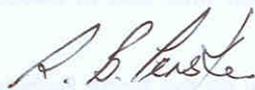
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code.

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 present fairly the financial position of North Somerset Council as at 31 March 2008 and hereby authorise the issue of the accounts.



Phil Hall, IPFA.
Director of Finance & Resources
24 June 2008



Cllr I. Porter
Chairman of North Somerset Council
24 June 2008

Annual Governance Statement

1. Scope of Responsibility

- 1.1. The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- 1.2. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.3. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes ensuring a sound system of internal control and arrangements for the management of risk.
- 1.4. The Council has produced a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework, *Delivering Good Governance in Local Government*.

The Local Code has been submitted to the Council's Audit Committee and Standards Committee for referral to the Executive for endorsement, adoption and incorporation into the Council's Constitution.
- 1.5. A copy of the Local Code is on our website at <http://www.n-somerset.gov.uk/cairo/docs/doc16917.pdf> or can be obtained from the Council's Internal Audit & Risk Management Service.

This Statement explains how North Somerset Council has complied with the Local Code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a Statement on Internal Control.

2. The Purpose of the Governance Framework

- 2.1. The governance framework comprises both the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community.
- 2.2. It enables the Council to monitor the achievement of its aims and corporate priorities and to consider whether those aims and corporate priorities have led to the delivery of appropriate, cost-effective services.
- 2.3. The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and therefore only provides reasonable and not absolute assurance of effectiveness.
- 2.4. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.5. This governance framework has been in place at North Somerset Council for the year ended 31 March 2008 and is current at the date of approval of the Statement of Accounts for 2007-08.

3. The Governance Framework

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

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

Annual Governance Statement

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

- The Corporate Plan

The Corporate Plan 2005-2008 established the Council's vision, six aims and supporting corporate priorities.

It was agreed by Members and published in June 2005 in the document "Aiming for Excellence". It is refreshed on an annual basis and approved by Full Council.

The Corporate Plan is the Council's delivery plan for realising the 25-year vision for North Somerset, articulated in the Community Strategy.

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

- The Medium Term Financial Forecast;
- The Corporate Performance Assessment Improvement Plan;
- National Priorities;
- Strategic Risk Register;
- Corporate Procurement and Value for Money Strategies;
- Performance Management Framework.

Members and senior management have agreed targets and measures to enable progress to be monitored against each of the six corporate aims. Quarterly progress reports for selected key indicators from the Corporate Plan are presented to the Corporate Management Team, the Executive and the Finance & Performance Policy & Scrutiny Panel.

The Corporate Plan 2008-2011 was approved by Full Council on 6 May 2008.

- The Community Strategy

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

The North Somerset Community Strategy 2004-2025 was prepared and launched by the North Somerset Partnership in 2004 and sets out the long term vision for North Somerset, identifying what are the important issues for people living, working and visiting North Somerset.

It sets out what the North Somerset Partnership aims to do to improve local services and the quality of life for local people and identifies the partnerships, plans and strategies that contribute to delivering its aims and objectives. It is a statement of its commitment to working together to promote the present and future economic, environmental, health and social well being of the area.

The new Sustainable Community Strategy 2008-2026 "Improving our Communities Together" was launched at the annual stakeholder event on 22 April 2008. It sets out the vision and priorities to improve the economic, social and environmental well being of the area and shows how partners will work together to develop sustainable communities.

- The Local Area Agreement

The Local Area Agreement for North Somerset 2007-2010 is the principal delivery plan for the Community Strategy.

The primary objective of the Local Area Agreement is to deliver genuinely sustainable communities through better outcomes for local people. It is an agreement with Central Government which sets out a series of improvement areas and targets on which the Council and its partners have agreed to focus over the next three years.

A new Local Area Agreement is currently in the process of being developed, following the publication in 2007 of new government guidelines setting out the requirements for new Local Area Agreements.

Annual Governance Statement

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

- Council's Vision

The Corporate Plan 2005-2008 was framed around the vision "To be an excellent Council which improves the quality of life for all" whereas the recently approved Corporate Plan 2008-2011 has revised the vision "To provide clear leadership, quality services and an affordable council tax".

The revised vision will have 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 Forecast.

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

- Performance Management Framework

The Council's Corporate Plan and Performance Plan set out the aims and corporate priorities for the Council, which are supported by measurable Performance Indicators and associated targets. These are also reflected in Directorate Business Plans, Service and Team Plans and individual appraisals.

Performance is managed through the Council's Performance Management Framework that ensures that the Executive and Scrutiny Panels have quarterly reports on issues emerging from an analysis of the Key Performance Indicators. These are a basket of measures, which include local and statutory targets and allow Managers and Members to assess whether the Council is delivering on its corporate priorities set out in the Corporate Plan (2005-08).

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

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

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

- Constitution

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

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

The agendas and minutes of all the public meetings of the Council and its Committees are available on our website.

- The Council

The Council operates under a structure with a Leader and an Executive, with Executive Members responsible for individual portfolios.

Annual Governance Statement

- The Executive

The Executive is made up of eight Councillors, one of whom is the Leader of the Council. The Executive is responsible for making decisions on all matters as long as they are within the budget and policy set by the Council, except those shown in the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 as amended.

- The Planning and Regulatory Committee

The Planning and Regulatory Committee is responsible overall for the granting and refusal of planning applications, Listed Building Consent and the regulatory functions of the Council.

- Overview and Scrutiny

Seven Policy and Scrutiny Panels carry out the overview and scrutiny function. The role of the Panels is to:

- Review and develop Council policies;
- Ensure accountability for those active in decision making;
- Continue to address issues that are important to those living and working in North Somerset and by working more closely with individuals and groups who want to have a voice;
- Monitor the Council's performance and offer constructive proposals for the efficient working of all Council services.

- Corporate Management Team

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

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

The Corporate Management Team meet each week, based on a pre-determined work plan aligned to the Council's Strategic Risk Register. A bulletin is subsequently emailed to all staff and posted on the Council's intranet following each meeting.

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

- Standards Committee

The Standards Committee is made up of four Councillors, two Parish Councillors and three independent people, with the following roles and responsibilities:

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

Annual Governance Statement

- Members and Officers Codes of Conduct

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

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

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

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

- Financial Management

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

The Council's overall financial arrangements are governed by its Medium Term Financial Forecast that sets out the financial framework for the delivery of the Council's vision, strategies and plans. The Medium Term Financial Forecast is developed by Members and senior officers and distributed through individual Directorates.

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

- Corporate Procurement Strategy

The Council's Corporate Procurement Strategy 2005-2008 was approved by the Executive in April 2005 and follows the National Procurement Strategy.

The Council also has its Contract Standing Orders, which form part of the Constitution, to ensure that everyone who has a responsibility for purchasing goods, services and works ensures that the Council obtains value for money. The Contract Standing Orders will be reviewed during 2008-09.

The Council has continued to develop its strategic procurement function with the implementation of e-procurement and value for money.

- Value for Money Strategy

In March 2006, the Executive approved the setting up of a Value for Money Team for a fixed period of two years, in order to improve the efficiency and effectiveness of Council services and support Directorates in achieving the annual efficiency targets for 2006-07 and 2007-08.

The Value for Money Team was set up in May 2006 and supported the Council's aim of ensuring continuous improvement by effectively targeting resources to deliver high quality services and ensuring that performance of services is subject to continual review and assessment.

The Council has now matured its arrangements for achieving better value for money with the creation of a wider Business Improvement Programme Board and Business Improvement Team that will assist Directorates to improve performance, reduce costs and achieve better customer focus by making changes to the way that services are delivered. The team will compliment the existing Corporate Procurement Team which also assists the Council in complying with its general duty of Best Value under the Local Government Act 1999.

Annual Governance Statement

- Risk Management

The Council has a Risk Management Strategy which was approved by the Executive in July 2006 and a Strategic Risk Register which was last approved by the Executive in December 2007.

The Audit Committee approve the Annual Risk Management Improvement Plan and receive the Risk Management Annual Reports, as well as receiving quarterly reports on the headlines changes in the Strategic Risk Register.

There is a Corporate Risk Management Group which includes the involvement of the Executive Member for Finance, Property and Human Resources. The Group meets each quarter to consider progress in integrating risk management into the culture of the Council and the management of identified risks. Both the Group and Council's Corporate Management Team review the Council's strategic risks on an ongoing basis.

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 Council's Audit Committee was set up in November 2006 and is made up of three elected Members and two independent people, meeting on a quarterly basis.

The purpose of the Audit Committee is to provide an independent overview of the adequacy of the 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 weaken the control environment, and to oversee the financial reporting process.

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 Solicitor to the Council (Monitoring Officer) are the Council's Statutory Officers.

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

- Committee Report Sign-Off

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

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

- Anti-Fraud & Corruption Policy Statement

The Council has an Anti-Fraud and Corruption Policy Statement to demonstrate its commitment to ensuring that it acts with integrity and promotes high standards. The policy is a mechanism for staff and members of the public to report their concerns and recognises the role the public can play in alerting the Council to areas where there is a suspicion of fraud.

A revised Anti-Fraud and Corruption Policy Statement was approved by the Audit Committee on 25 March 2008.

- Customer Complaints

The Council is committed to the delivery of quality services that meet the needs of the public and has developed a "Two step" Customer Complaints Procedure:

- Step 1 – Complain to relevant officer, service area or Councillor;
- Step 2 – Chief Executive Officer.

Annual Governance Statement

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

The Council aims to reply to complaints within 10 working days and will deal with complaints confidentially, unless that is not possible, for example if legislation applies.

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's appraisal system has a key role in making sure each Directorate makes the best use of its staff and is an integral part of the Council's commitment to managing performance.

The Council's scheme is designed to provide close links between appraisals and the Council's business planning process.

- Management Competency Framework (Leadership First)

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

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

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

Corporate Training

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

The Council's Corporate Training Team has produced a detailed programme of training courses for officers and managers, some of which have been classified as mandatory.

They have also produced a detailed programme of training for Elected Members, e.g. Risk management.

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 local residents who regularly give their views on a range of issues and services.

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

- North Somerset Life

North Somerset Life is the Council's monthly magazine which is sent out to more than 87,000 homes across the district each month. It was launched in October 2004 as a direct result of research with local residents who said the Council needed to do more to keep them informed.

The magazine provides useful updates, information and alerts on new and existing services and gives the public the chance to air their views.

Annual Governance Statement

- Marketing and Communications Strategy
The Council had a Marketing and Communications Strategy 2004-07 which was recently superseded by a Strategy for 2007-11.

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 structure, roles and responsibilities of the various components of the Partnership are set out in its Terms of Reference.

The Partnership Board is made up of 20 representatives from the public, business, voluntary and community sectors, including the Council. There are also advisers to the Board from organisations such as the Government Office South West and Somerset Racial Equality Council. The Board is the decision making body and its key task is to oversee the delivery, monitoring and evaluation of the Community Strategy.

Delivery partnerships work on a thematic basis to implement the objectives of the Community Strategy through their action plans. Delivery partnerships are linked to the Board through a Board Member as Champion. Some delivery partnerships are already well established whilst others are still developing.

- West of England Partnership

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

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

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Whilst existing structures have worked well to date, on 15 April 2008 the Council's Executive "agreed in principle" to strengthen the governance arrangements to better manage risk and democratic accountability. The proposed arrangements are shown below:

Draft Proposals	WEST OF ENGLAND PARTNERSHIP							
	GOVERNANCE: DIRECTION AND STRATEGIC PLANNING	DELIVERY						
1	COUNCILS. CABINETS.							
	Bath & NE Somerset Bristol N. Somerset S. Gloucestershire							
2	COUNCIL LEADERS JOINT COMMITTEES PROGRAMME BOARD							
	Transport. Waste Management. Cabinet Members							
	Planning, Housing & Environment Cabinet Members							
3	STRATEGIC PARTNERSHIP BOARD							
	Leader plus 2 Members for each Council. Strategic Partners & Agencies.							
4	ADVISORY/SCRUTINY BOARDS SPECIALIST GROUPS							
	Transport. Waste. Planning, Housing & Environment. Economy & Skills							
	Culture & Leisure. Rural Strategy							
	Cross-party Members. Strategic Partners and Agencies							
	Cabinet Members. Strategic Partners & Agencies.							
5	SPECIALIST OFFICER GROUPS PARTNERSHIP OFFICE							
		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;">A DELIVERY COMPANY</td> </tr> <tr> <td>Commission delivery of transport, waste & housing Infrastructure (accountable to Partnership Board)</td> </tr> <tr> <td style="text-align: center;">B EMPLOYMENT AND SKILLS BOARD</td> </tr> <tr> <td>and review scope for wider economic role Business-led. Council Leaders</td> </tr> <tr> <td style="text-align: center;">C HOMES WEST</td> </tr> <tr> <td>RSL Consortium delivering affordable homes</td> </tr> </table>	A DELIVERY COMPANY	Commission delivery of transport, waste & housing Infrastructure (accountable to Partnership Board)	B EMPLOYMENT AND SKILLS BOARD	and review scope for wider economic role Business-led. Council Leaders	C HOMES WEST	RSL Consortium delivering affordable homes
A DELIVERY COMPANY								
Commission delivery of transport, waste & housing Infrastructure (accountable to Partnership Board)								
B EMPLOYMENT AND SKILLS BOARD								
and review scope for wider economic role Business-led. Council Leaders								
C HOMES WEST								
RSL Consortium delivering affordable homes								

- Children's Trust Management Board (CTMB)

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

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

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

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

- Strategic Schools Forum (SSF)

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

The funding under the control of the Strategic Schools Forum (in excess of £95m) represents more than half of the total funding available to support children and young people in the North Somerset area and there is clear alignment between the priorities of the Children's Trust Management Board and use of Strategic Schools Forum resources.

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

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- Responsible Authorities Group (RAG)

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

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

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

4. Review of Effectiveness

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

4.2 The review is informed by the work of the internal auditors (Internal Audit & Risk Manager's annual assurance report) and the executive managers within the Council who have responsibility for the development and maintenance of the governance and internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

4.3 The publication of the Statement represents the end result of the review of the effectiveness of the governance framework, including the system of internal control and the process of risk management that should be embedded throughout the activities of the Council.

4.4 The process that has been applied in maintaining and reviewing the effectiveness of the governance framework and the sources of assurance for this Annual Governance Statement are described below.

4.5 The Council

- Once the Annual Governance Statement 2007-08 has been approved by the Audit Committee and signed by the Leader to the Council and Chief Executive Officer, it will be referred to Council for inclusion with the Statement of Accounts.

- A review of Committees minutes identified that there were no additional significant governance issues arising, that have not been referenced in section 6.

4.6 The Executive

- As part of the approved framework for the production of the Annual Governance Statement, it was reviewed by the Executive Member for Finance, Property and Human Resources prior to being submitted to the Audit Committee for approval.

- The approved Annual Governance Statement 2007-08 was signed by the Leader of the Council following its approval by the Audit Committee.

4.7 The Audit Committee

- The Audit Committee approved the framework for the production of the Annual Governance Statement on 25 March 2008 and reviewed and approved the Statement on 17 June 2008, prior to its certification by the Leader of the Council and the Chief Executive Officer.

- The Audit Committee receive and approve:

- The annual internal audit and risk management plans which focus resources on reviewing the effectiveness of the governance framework, the system of internal control and the arrangements in place for the management of risk;

- Quarterly update reports from the Internal Audit & Risk Manager covering significant internal control issues identified during internal audit reviews and quarterly update reports from the Strategic Risk, Fraud & Governance Manager covering governance and risk management issues including the management of the Council's strategic risks;

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- The Internal Audit & Risk Manager's annual assurance report and the Strategic Risk, Fraud & Governance Manager's risk management annual report.

4.8 Corporate Management Team

- The Annual Governance Statement 2007-08 was reviewed by the Corporate Management Team on 28 May 2008.
- The approved Annual Governance Statement was signed by the Chief Executive Officer following its approval by the Audit Committee.
- The following senior managers completed an Annual Assurance Statement on the governance, internal control and risk management arrangements within their Directorate and areas of management responsibility:
 - Chief Executive Officer
 - Directors
 - Solicitor to the Council
 - Head of Performance Improvement and Human Resources
 - Strategic Policy Development Manager

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

4.9 Internal Audit & Risk Management Service

- The Council's Audit Charter was agreed as an Executive decision in March 2004. This sets out the responsibilities of the Internal Audit Service and reinforces the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.
- The Internal Audit and Risk Manager produces a Risk Based Internal Audit Plan based on a rolling 5-year Strategic Plan. The Plan encompasses all the main financial and operational systems of the Council. The frequency and degree of coverage applied to each element of the Plan has been determined by a comprehensive risk assessment.
- The Council's Annual Internal Audit Plan is agreed with Directors and approved annually by the Audit Committee and referred to the Executive. This provides the basis for the review of the governance framework, including the system of internal control, within the Council. Achievement of the plan is monitored by the Director of Finance & Resources and the Audit Committee, to whom the Internal Audit & Risk Manager reports on a quarterly and annual basis on findings during the year. For 2007-08 100% of core system reviews were completed with 70% of the overall plan completed.
- The Internal Audit & Risk Manager provides an annual assurance report to the Audit Committee (referred to the Executive and the Standards Committee) which provides assurance about the system of internal control throughout the Council. The report for 2007-08 was submitted to the Audit Committee on 17 June 2008. This report provides an overall opinion on all of the Council's core financial systems and also provides for exception reporting of any serious weaknesses in internal control identified through the annual audit coverage.
- A separate follow-up review of the issues identified from the 2006-07 Core systems audit recommendations is completed. It is focused on the controls previously considered to have failed to meet the stated control objective in a way that had an adverse impact on the integrity of the Council systems. It is pleasing to report that the core systems have maintained an overall opinion rating of satisfactory.
- Whilst Internal Audit are unable to give absolute assurance, the results of the reviews completed during 2007-08 have resulted in an overall opinion that:

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- Systems and internal control arrangements continue to be effective and ensure that the Council achieves its corporate priorities and uses its resources economically, efficiently and effectively;
 - Accounting arrangements are sound;
 - Agreed policies, regulations and Standing Orders are complied with;
 - Managers throughout the Council are aware of the importance of maintaining adequate and effective governance, internal control and risk management arrangements and the recommendations made by Internal Audit are accepted as practical and a valuable contribution to the continued operation of those systems. Instances where implementation of recommendations is not achieved by the dates agreed are brought to the attention of the appropriate Chief Officer;
 - Appropriate arrangements are operated to deter and detect fraud.
- A number of significant internal control issues have been identified in 2007-08 from the work of Internal Audit and are included in section 6 of this Statement.

4.10 Finance Standards & Strategy Group

- The Finance Standards & Strategy Group act as the "Designated Corporate Governance Group" on behalf of the Audit Committee responsible for carrying out an independent review of the Statement and evaluating supporting evidence and assurances.
- During production of the Statement, it was referred to the Finance Standards & Strategy Group during March, April and May 2008.

4.11 External Audit and Inspection

- The Council is regularly inspected by the Audit Commission and other inspectorates such as Ofsted and the Commission for Social Care Inspection to provide a picture of how it is performing. The results of all these assessments are collated in the Comprehensive Performance Assessment (CPA) of the Council, carried out by the Audit Commission, which looks at how efficiently the Council is run, the quality and delivery of services and whether the Council provides value for money to the taxpayer.
- In February 2008, the Audit Commission awarded the Council three stars out of a possible four, reporting that the Council was a "good" Council which was "improving well".
- The Council's External Auditors, now the Audit Commission, report formally to the Council in an Annual Audit & Inspection Letter, which for 2006-07, was presented to the Executive on 12 February 2008. No significant issues were identified, although the resulting Action Plan will be monitored by the Corporate Management Team to ensure that recommendations to improve existing arrangements are implemented.
- The Council's External Auditors, also report formally to the Council in a Use of Resources report. For 2006-07, this was produced by Grant Thornton, the former External Auditors, and presented to the Audit Committee on 25 March 2008. No significant issues were identified although the resulting Action Plan will be monitored by the Audit Committee and Director of Finance & Resources to ensure that recommendations to improve existing arrangements are monitored.

4.12 Annual Review of the Council's Corporate Governance Arrangements

- The Internal Audit & Risk Management Service carry out an annual review of the Council's Corporate Governance arrangements, including the following:
 - Risk management;
 - Internal control;
 - Standards of conduct;
 - Roles and responsibilities of Officers and Members;
 - Service delivery arrangements;
 - Community focus.
- The annual review for 2007-08 confirmed that the Council's Corporate Governance arrangements are satisfactory and no significant issues were identified.

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4.13 Performance Management Framework

- A review of the arrangements for a sample of the Council's Best Value Performance Indicators confirmed that the procedures in place are of a satisfactory standard.
- The Council's Performance Management Framework sets out the principles of performance management and how service and financial planning are integrated. Performance measurement and monitoring is a key part of the framework, which states that key performance indicators should be reported to the Executive and to Policy and Scrutiny Panels on a quarterly basis.
- Performance management and measurement is a key priority for the Council and supports the Council's key aim to ensure continuous improvement. Effective implementation of the Performance Management Framework also supports the Council's value of encouraging a culture of achievement.
- The External Auditors report on the Council's Best Value Performance Plan 2007-08, which is incorporated into the Corporate Plan 2005-08, concluded that it complies with the requirements of section 7 of the Local Government Act 1999 and subsequent guidance issued by the ODPM.

4.14 Risk Management Arrangements

- An independent review of the Council's Risk Management arrangements by PriceWaterhouseCoopers confirmed that the procedures within the Council operate to a satisfactory standard.

4.15 Other Issues – Waste Management

- The effectiveness of internal control exercised over the collection and disposal of domestic and trade waste has been brought into question. This is a historic issue (pre 2003-04) and an External Audit report on this matter is expected.
- However, management, supported by internal audit work carried out in the year, have confirmed that current controls over this activity are operated to a satisfactory standard and it is not, therefore, regarded as a significant issue either for 2007-08 or the previous financial year.

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5. Statement on Internal Control for 2006-07 – Update on Significant Issues during 2007-08

Control Issue	Mitigating Actions	Update for 2007-08
5.1 Project Management Arrangements – Construction Procurement and Management of Capital Construction Projects		
<p>The Audit Commission review of “Construction Procurement” in September 2006 identified that the Council did not meet the standards required and identified a number of areas requiring improvement.</p> <p>The review of “Current Contract Health Check – Capital Projects” in February 2007 identified that only limited assurance could be placed on the adequacy of operating effectiveness of controls in place over the management of capital construction contracts.</p>	<p>The key actions of the Performance Action Plan were as follows:-</p> <ul style="list-style-type: none"> • Build organisational capacity to develop a strategic approach to construction procurement. • Expand the Council’s skills base on controlling the cost of its construction projects. • Mandate the use of processes that help to ensure better value for money from construction projects. • Provide a performance management framework of standards, benchmarks and targets that stretch the Council. • Project Management Methodology embedded. 	<p>A Construction Procurement Team has been formed and is now established. It is lead by a Construction Procurement Manager who has brought increased skills and experience to the Council. This addresses three of the previous key actions:</p> <ul style="list-style-type: none"> • Build organisational capacity to develop a strategic approach to construction procurement; • Expand the Council’s skills base on controlling the cost of its construction projects; • Mandate the use of processes that help to ensure better value for money from construction projects. <p>Overall, due to the good progress made, the risk to the Council appears to be significantly reduced. This was borne out by an internal audit review during 2007-08 which concluded that “Project management and contract control is administered to a satisfactory standard, and reasonable controls are operating”.</p> <p>It is considered that this <u>no longer remains a significant issue for inclusion in the Annual Governance Statement for 2007-08.</u></p>

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Control Issue	Mitigating Actions	Update for 2007-08
5.2 S106 Agreements		
<p>The implementation of the Database of s106 Agreements is still awaited and the amended wording of the s106 Agreements for the arrangements and monitoring of bonds is still to be formally agreed by Legal Services.</p>	<p>The s106 Database is to be implemented as soon as possible by Corporate ICT.</p> <p>Legal Services are to formally agree the amended wording of the s106 Agreements in respect of the arranging and monitoring of bonds.</p> <p>Monitoring of the bonds will be carried out by the Planning Officers or a relevant officer in the client directorate.</p> <p>Legal Services are to introduce a protocol which will include draft bonds being actually attached to the s106 Agreements.</p>	<p>The Section 106 database is now operational and basic details for all new s106 Agreements, created in 2008, have been captured.</p> <p>A number of system issues/bugs have been identified and these are being resolved before the migration of legacy data from the GIS system. Once the migration of legacy data has been completed, a manual process of checking and capturing any missing data will commence and it is anticipated that this will take approximately six months.</p> <p>The functionality of the database has been extended to ensure that associated teams such as GIS/Land Charges and Property Records use this definitive database for the monitoring of s106 Agreements.</p> <p>Legal Services have revised the s106 Agreements to include revised bonding clauses, including:-</p> <ul style="list-style-type: none"> • Bonds will be attached to the Section 106 Agreements; • Bonds will be received by the Planning Officer who will update the database to show receipt of the bond and satisfaction of that requirement; • The original bonds and Section 106 Agreements will be held by the Property & Asset Information Section. <p>Whilst progress has been made, it is considered that this <u>still remains a significant issue for inclusion in the Annual Governance Statement for 2007-08, see Section 6.1.</u></p>

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Control Issue	Mitigating Actions	Update for 2007-08
5.3 ICT Management – Resource Management System		
<p>Improvements are required to ensure the completeness and accuracy of ICT equipment recorded on the Resource Management System (RMS).</p>	<p>Corporate ICT are to determine how the movement and monitoring of ICT equipment can best be policed.</p> <p>Options to be considered include encryption, electronic tagging of equipment and radio frequency identification.</p> <p>This action forms part of the 2007-08 ICT Service Plan.</p>	<p>Corporate ICT have discounted encryption as irrelevant in this context (but of significant relevance for Data Security) and have also discounted electronic tagging (RFID) as too costly and complicated to deploy at this time.</p> <p>In the short term a simple comparison of the recorded inventory with the physical inventory when users log fault calls with the ICT Service Desk has been introduced.</p> <p>Corporate ICT will be actively engaging with Directorates to verify the details of all ICT assets held by their Services.</p> <p>Active investigations of solutions for discovery of network attached hardware and the software installed on it are being carried out and it is anticipated that this will result in the deployment of an appropriate asset discovery toolset in 2008-09, leading to the goal of having a comprehensive and highly accurate ICT asset register in place by the end of 2008-09.</p> <p>Whilst progress has been made, it is considered that this still remains a significant issue for inclusion in the Annual Governance Statement for 2007-08, see <u>Section 6.2</u>.</p>

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Control Issue	Mitigating Actions	Update for 2007-08
5.4 CRB (Criminal Records Bureau) – Schools		
<p>The draft Schools Disclosure Policy was developed and consulted on with the relevant Unions, Professional Associations and Schools Strategic Forum in January 2007, but is yet to be introduced. Further consultation is programmed for May 2007.</p> <p>As at March 2007, 55% of retrospective CRB checks had been carried out with 45% still to be completed.</p>	<p>Further consultation on the draft Schools Disclosure Policy is to be completed in May 2007, following which it, and related procedures, will be issued to Schools and Governor Forums and made available electronically.</p> <p>Updated figures for May 2007 show that 64% of retrospective CRB checks have now been carried out with 36% still to be completed during the coming months. CYPs will continue to liaise with the Schools until all retrospective CRB checks have been completed.</p>	<p>The Schools' Disclosure Policy has been completed and Schools are able to access it on our on-line HR service on the South West Grid for Learning portal.</p> <p>96% of the retrospective CRB checks in Schools have now been completed and just 4% (63 staff) remain.</p> <p>Human Resources Advisors are actively chasing up the Schools to ensure that the outstanding retrospective checks are promptly carried out.</p> <p>It is considered that this <u>no longer remains a significant issue for inclusion in the Annual Governance Statement for 2007-08.</u></p>

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Control Issue	Mitigating Actions	Update for 2007-08
5.5 Business Continuity		
<p>Business continuity arrangements across Council Directorates are at differing stages of maturity, with some Directorates only at the very early stages of development.</p> <p>In respect of business continuity arrangements within Corporate ICT, there is no priority list maintained of the order in which ICT systems would need to be installed following the loss of all the Council's ICT systems.</p>	<p>The preparation of business continuity arrangements for each Directorate will continue during 2007-08:</p> <ul style="list-style-type: none"> • CSU – business continuity arrangements for the Customer Access Programme will be completed in accordance with the deliverables of the programme. • D&E – focussing on those areas of the Directorate without business continuity arrangements in place. These arrangements should be in place and loaded onto the Business Continuity database by December 2007. • F&R – basic business continuity plans will be loaded onto the business continuity database by the end of June 2007 after which the individual plans will be developed further by managers. • ASS&H and CYPS – Commencement of business continuity planning for these Directorates with a planned date of December 2007 for high level business continuity plans to be in place and loaded onto the business continuity database. 	<p>The Business Continuity Officer left the Council in September 2007. Due to his departure and a lack of progress by Directorates in implementing the “bottom up” approach to business continuity management within the Council, an Internal Audit review was undertaken in late 2007-08. It concluded that “the Council’s business continuity arrangements would be inadequate for ensuring the continuity of the business in the event of a major incident”.</p> <p>Following this review, the Council’s business continuity process and management framework was refreshed for 2008-09. Progress to date includes:</p> <ul style="list-style-type: none"> • Production of a revised business continuity management policy and plan templates incorporating a new “top down” approach and methodology; • Business continuity champions group set up, containing a key officer from each Directorate, to act as the business continuity co-ordinator for their Directorate; • Business impact analysis underway for each Directorate, including Directorate Management Team workshops, but at differing stages of maturity; <p>Whilst progress has been made, it is considered that this <u>still remains a significant issue for inclusion in the Annual Governance Statement for 2007-08, see Section 6.3.</u></p>

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Control Issue	Mitigating Actions	Update for 2007-08
5.6 Year End Procedures in Schools		
<p>At the instigation of one of the Council's Secondary Schools, Internal Audit was asked to establish an accurate 2005/06 year-end financial position. The review identified a deficit balance of £482,354.</p> <p>The deficit position has arisen as a result of the mis-statement of the School's financial position over, at least, the previous two financial years 2004/05 and 2005/06. The result of which has been for the School to spend at a level that is beyond their means and which cannot be sustained.</p> <p>The mechanism used to mis-state the financial position of the School has been through raising inappropriate year-end journal transfers and the creation of year-end schedules that did not accurately reflect the true position of the outstanding transactions.</p>	<p>CYPS have introduced and implemented specific closedown procedures for the 2006-07 close-down, in order to strengthen the controls over year end-journals and schedules.</p> <p>Internal Audit have introduced the checking of:</p> <ul style="list-style-type: none"> • Year-end schedules as part of the central/core audit programme; • Journals as part of the Schools' audit programme; • Valid and approved capital expenditure as part of the Schools' audit programme. 	<p>The CYPS Directorate have introduced:</p> <ul style="list-style-type: none"> • A "Headteacher" sign-off of the closedown schedules; • A presentation of the closedown schedules to Governing Bodies for information. <p>The CYPS Finance Team now actively reviews the closedown schedules, asking for evidence of invoices and confirmation of their existence. Email correspondence with the Schools is copied in to the Internal Audit Service.</p> <p>The Internal Audit Service has included the checking of journals and capital expenditure as part of the Schools' audit programme but the inclusion of year-end schedules as part of the central/core audit programme has been delayed, now being included in the Internal Audit Plan for 2008-09.</p> <p>It is considered that this <u>no longer remains a significant issue for inclusion in the Annual Governance Statement for 2007-08.</u></p>

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Control Issue	Mitigating Actions	Update for 2007-08
5.7 Home to School Transport – Additional Revenue Costs in 2006-07		
<p>An overspend in relation to Home to School Transport provision of approximately £200,000 occurred in 2006/07 which was reported late in the financial year.</p> <p>There has been a failure to report the increase in overspend position as part of routine monthly monitoring reports to senior officers and elected members, for the following reasons;</p> <ul style="list-style-type: none"> • Over reliance upon the use of the Education Management System (EMS) transport module in relation to financial monitoring. EMS became the primary mechanism for verification of the financial position • However, there is no direct link between the EMS transport module and FMS, the Council's Financial Management System. • Miscoding and incorrect data entry into EMS, resulting in comparisons not being identified. • Lack of robustness of Invoice payment process. 	<p>Areas of overspend.</p> <p>Discussions have taken place regarding the level of overspend. There is a shared commitment in CYPS to address these issues, with an agreed action plan for immediate attention.</p> <p>Discussions have also taken place with the Value for Money team, to look at the general issues and transport routes. A request has also been made of the Value for Money team to look at the corporate implications of recommended savings.</p> <p>Accuracy of information.</p> <ul style="list-style-type: none"> • Miscoding and incorrect data entry – the Home-to-School Transport Manager has confirmed new requirements with staff. Quality control procedures have been introduced. • Addressing contractors where anomalies in recording on EMS cause concern. • Implementation of monthly financial monitoring meetings chaired by the Service Manager. 	<p>The following actions/outcomes have occurred:</p> <ul style="list-style-type: none"> • Invoice payment process re-engineered, communicated to staff and in place throughout the year; • Additional quality assurance of financial work has been undertaken; • EMS monitoring closely reflected FMS outturn; • Monthly financial monitoring meetings with key staff have taken place; • Outcomes of Internal Audit review around aged commitments built into financial processes; • Clear process for flagging threats in place – with work-in-progress on assessing longer range impacts/opportunities; • Ongoing review of routes, with the assistance of Value for Money team, to assess corporate impacts has significantly reduced the overspend position; • Further review of DSO operated part of expenditure in progress, with Value for Money team and Elected Member involvement. <p>It is considered that this <u>no longer remains a significant issue for inclusion in the Annual Governance Statement for 2007-08.</u></p>

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6. Significant Governance, Internal Control and Risk Management Issues for 2007-08

Issue	Mitigating Actions for 2008-09
6.1 S106 Arrangements	
<p>Whilst progress was made during 2007-08, namely the implementation of the s106 database and the update of the s106 Agreements to include revised bonding clauses, further improvements are required to ensure that the s106 database holds a complete record of all existing s106 Agreements, which can be used for monitoring purposes.</p>	<ul style="list-style-type: none"> • Identified system issues/bugs to be resolved before the migration of legacy data from the GIS system; • Upon completion of the migration of legacy data, a manual process of checking and capturing any missing data will commence and it is anticipated that this will take approximately six months; • Associated teams such as GIS/Land Charges and Property Records start to use the database for the monitoring of s106 Agreements; • A working group of the Strategic Planning and Economic Development and Finance and Performance Policy & Scrutiny Panels has been looking at the s106 process and made various recommendations aimed at improving transparency and Member and community involvement. These recommendations are presently under consideration; • It is intended to produce a Supplementary Planning document which will provide guidance on the contributions expected from development in respect of a wide range of issues. In addition work is progressing in developing a “tariff”, basically an assessment of infrastructure needs related to planned development leading to a £ rate per dwelling or unit of commercial accommodation. This work is ongoing and will need to be related to the probable introduction of a tariff system nationally, the “community infrastructure levy”.

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Issue	Mitigating Actions for 2008-09
6.2 ICT Management – Resource Management System	
<p>Whilst progress was made during 2007-08, namely the comparison of the recorded inventory with the physical inventory when users log fault calls with the ICT Service Desk, further improvements are required in order to ensure the completeness and accuracy of the ICT equipment recorded on the Resources Management System (RMS).</p>	<ul style="list-style-type: none"> • Continuation of the comparison of the recorded inventory with the physical inventory when users log fault calls with the ICT Service Desk; • Corporate ICT will be actively engaging with Directorates to verify the details of all ICT assets held by their Services; • Active investigations of solutions for discovery of network attached hardware and the software installed on it are being carried out and it is anticipated that this will result in the deployment of an appropriate asset discovery toolset in 2008-09, leading to the goal of having a comprehensive and highly accurate ICT asset register in place by the end of 2008-09.
6.3 Business Continuity	
<p>Whilst progress was made during 2007-08, namely the revision of Council's business continuity process and management framework to incorporate a new "top down" approach and methodology, further work is required in order to ensure that the Council has adequate and effective business continuity arrangements in place.</p>	<ul style="list-style-type: none"> • Embedding the new "top down" approach and methodology across the Council; • Business continuity champions group, containing a key officer from each Directorate, to act as the business continuity co-ordinator for their Directorate; • Directorate and Corporate business impact analysis to be completed; • Preparation of Directorate business continuity plans; • Preparation of Corporate business continuity plan; • Initial testing of Directorate and Corporate business continuity plans; • Corporate Risk Management Group to monitor progress made.

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Issue	Mitigating Actions for 2008-09
6.4 Inappropriate Email Usage	
<p>A press article highlighted the area of email as a potential problem area.</p> <p>The potential distribution of inappropriate emails and non-compliance with the Council's Internet & Email Acceptable Usage Policy places the Council at risk of reputational damage.</p> <p>A number of reviews have been carried out in response to the specific and related email subject to the press article which has resulted in the Council instigating disciplinary action against a number of employees.</p>	<ul style="list-style-type: none"> • Issue of further advice and actions for staff; • Continuing and appropriate disciplinary action as necessary; • Ongoing filtering of inbound emails including size restriction; • Ongoing evaluation of security options and virus scanning; • The 2008-09 Internal Audit "Annual Assurance Plan" contains an allowance for additional coverage in respect of interrogating the Council's email, internet and network systems to continue this work and provide assurance around the level of compliance with the Council's Internet & Email Acceptable Usage Policy.
6.5 Property Governance and Compliance (Significantly Schools)	
<p>The Council has a duty to manage its statutory obligations and maintenance issues relating to its premises.</p> <p>However, a review of the Council premises management and maintenance arrangements by the Council's Property Governance Team identified apparent significant weaknesses in the maintenance and management systems for these premises, significantly within the Education portfolio – Schools.</p>	<ul style="list-style-type: none"> • A regime of compliance control measures to cover all statutory requirements on Council buildings to be put in place; • Identification of the issues and problems relating to the Council's management of the Property Portfolio in respect of statutory obligations; • Conduct a skills audit and training of those responsible for the management of individual premises; • Carry out a five year programme of Condition Surveys on all premises; • Identification and securing of finance to put mitigating actions in place, including reviewing the management of maintenance budgets currently held by individual Directorates.

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Issue	Mitigating Actions for 2008-09
6.6 Consultancy Procurement	
<p>The 2006-07 Internal Audit review of Consultancy Procurement, completed during April 2007, concluded that:</p> <ul style="list-style-type: none"> • The Council's Contract Standing Orders were not always being complied with; • Appointments had been made with no consideration of alternative consultants. 	<ul style="list-style-type: none"> • The Strategic Procurement Manager will be carrying out a review of the Council's Contract Standing Orders in respect of Consultancy appointments in order to streamline and clarify requirements; • The Strategic Procurement Manager will promote the Council's Contract Standing Orders and provide competency training in commissioning for Consultancy Services and the consequence of non-compliance; • All relevant officers have been reminded of their duty to comply with the Council's Contract Standing Orders; • Directors will continue to ensure that all consultancy arrangements comply with the Council's Contract Standing Orders.
6.7 Transport Services	
<p>An Internal Audit review of Transport Services concluded that the procedures for both the management of financial transactions and the management of the Motor Insurance Database are weak.</p> <p>Only three written Service Level Agreements are currently in place within Transport Services and these relate to three individual hire vehicles, which represent only a fraction of the fleet. No contracts are held with regard to the activities of the FLTO (in house fleet services);</p> <p>As at the audit date of January 2008, invoices had only been raised for the period April to July 2007, due to delays in agreeing the invoice amounts from that point onwards.</p>	<ul style="list-style-type: none"> • Formalisation of all ongoing service contracts to be written, as agreed by Legal Services as consistent with contract regulations in place within the Council, and signed by relevant parties; • When unable to issue a final invoice, an interim invoice will be raised for an appropriate figure. Where delays of this type are experienced, they will be reported to ensure that any reliance being placed on the financial data takes these facts into account. This issue will be resolved by the development of formal Service Level Agreements and an updated costing model; • A revised method of reconciling the Fleet List and Motor Insurance Database will be established along with a protocol for the responsibility for this task, the frequency with which it should be carried out and the level of review required. • The Council has in place a fully qualified Transport Manager who holds the Operators Licence on behalf of the Council. It is within the Transport Manager's remit to ensure that suitable control measures are in place across the whole of the Authority and that these extend to users of non-fleet vehicles, contractors, affiliated bodies and all employees who drive in the course of their employment such that the requirements of the Operators Licence are complied with.

Annual Governance Statement

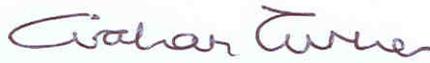
We propose to take appropriate steps during the 2008-09 year to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:



Cllr. Nigel Ashton, Leader of the Council

Signed:



Graham Turner, Chief Executive Officer

Date:

24th June 2008

Independent Auditors Report

Independent auditor's report to the Members of North Somerset Council Opinion on the financial statements

I have audited the Authority's accounting statements and related notes of North Somerset Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority accounting statements comprise the Income and Expenditure Account, the Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of North Somerset Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Financial Officer and auditor

The Chief Financial Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the Authority accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 the financial position of the Authority and its income and expenditure for the year.

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

I read other information published with the Authority's accounting statements, and consider whether it is consistent with the audited Authority's accounting statements. This other information comprises the Explanatory Foreword and Annex 5 of the Annual Performance Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority's accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Independent Auditors Report

Opinion

In my opinion, the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended.

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

Authority's Responsibilities

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

Auditor's Responsibilities

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

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, North Somerset Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

Best Value Performance Plan

The Council's previous auditors issued a statutory report on the audit of the authority's best value performance plan for the financial year 2007/08. They did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Certificate

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

Brian Bethell
District Auditor

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

22 September 2008

Income and Expenditure Account for the year ended 31 March 2008

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

2006/07			2007/08		
Net Cost			Gross Expenditure	Gross Income	Net Cost
£000		Note	£000	£000	£000
28,971	Children & Young People Services		67,556	(36,138)	31,418
(480)	Dedicated Schools Budget		130,198	(130,587)	(389)
37,656	Development & Environment		70,213	(26,569)	43,644
2,599	Housing Services		51,760	(47,555)	4,205
10,013	Finance & Resources and Corporate Services Unit		49,394	(34,854)	14,540
40,293	Adult Social Services		81,178	(39,441)	41,737
		5	450,299	(315,144)	135,155
	Discontinued Operations				
(716)	Housing Revenue Account	2	0	0	0
	Exceptional Items	45			
(205)	Rate Refunds		0	0	0
(314)	Contributions from former Avon CC Balances		0	0	0
0	Compensation payments re: essential car users		1,021	0	1,021
	Non Directorate Items				
368	Special Expenses		428	0	428
199	Change in Bad Debt Provision		200	0	200
(1)	Prior Year VAT Recoveries		0	0	0
24	Avon & Somerset Magistrates Court		24	0	24
365	Environmental Agency Levy		223	0	223
278	Internal Drainage Boards		301	0	301
350	Avon Coroners Service		248	0	248
3,784	Capital Financing		2,733	0	2,733
123,184	NET COST OF SERVICES		455,477	(315,144)	140,333
670	(Profit) or Loss on the Disposal of Fixed Assets				799
2,716	Parish Precepts				2,844
(15)	(Surplus) / Deficit on Trading Undertakings & Internal Services	6			(58)
5,484	Interest Payable and Similar Charges				5,858
(5,378)	Interest and Investment Income				(7,258)
1,256	Pension Interest Cost & Expected Return on Assets	40			606
0	Unattached Capital Receipts				(2,110)
0	Contribution of Housing Capital Receipts to Government Pool				102
127,917	NET OPERATING EXPENDITURE				141,116
(79,739)	Demand on the Collection Fund				(83,534)
(251)	(Surplus) / Deficit on the Collection Fund				(330)
(203)	LABGI				(538)
(6,782)	General Government Grants				(6,160)
(35,075)	Non-Domestic Rates Redistribution				(36,707)
5,867	(SURPLUS) / DEFICIT FOR THE YEAR				13,847

Statement of Movement on the General Fund Balance for the year ended 31 March 2008

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

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

The General Fund Balance compares the Council's spending against the council tax that is raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

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

2006/07		2007/08
£000		£000
5,867	(Surplus) / Deficit for the year on the Income & Expenditure Account	13,847
(8,904)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year. (see page 54 for further detail)	(12,901)
(3,037)	(Increase) / Decrease in the General Fund Balance for the year	946
(6,611)	General Fund Balance brought forward	(9,648)
(9,648)	General Fund Balance carried forward	(8,702)
	Amount of General Fund Balances generally available for new expenditure: (Balance Sheet, page 50 and Reserves, page 78)	
(3,000)	- General Fund Working Balance	(3,000)
(6,648)	- General Revenue Support	(5,702)
(9,648)		(8,702)
<p>The Balance on the General Fund is available for new expenditure - the amounts relating to balances held by governors under schemes to finance schools are accounted for as earmarked reserves and not included in the General Fund Balance.</p>		

Statement of Total Recognised Gains and Losses for the year ended 31 March 2008

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

<i>2006/07</i>		<i>2007/08</i>
<i>£000</i>		<i>£000</i>
5,867	(Surplus) / Deficit for the year on the Income & Expenditure Account	13,847
(2,130)	(Surplus) arising on revaluation of fixed assets	(8,431)
0	(Surplus) / Deficit arising on revaluation of available-for-sale financial assets	(8)
(16,108)	Actuarial (gains) / losses on pension fund assets and liabilities	59,759
(22)	(Surplus) / Deficit on the Collection Fund relating to North Somerset	499
(12,393)	Total Recognised (Gains) / Losses for the year	65,666

Balance Sheet as at 31st March 2008

31 March 2007 £000		Note	31 March 2008		
			£000	£000	£000
	Tangible Fixed Assets				
	<u>Operational Assets:</u>				
261,270	Land & Buildings		258,177		
4,489	Vehicles, Plant, Furniture & Equipment		5,634		
16,231	Infrastructure Assets		23,065		
2,150	Community Assets		2,232		
284,140				289,108	
	<u>Non-Operational Assets:</u>				
4,495	Investment Properties		5,150		
0	Assets Under Construction		714		
4,263	Surplus Assets		4,133		
8,758				9,997	
	Total Fixed Assets	24			299,105
7,551	Long Term Investments	29		15,436	
	Long Term Debtors	30			
534	- Mortgages		409		
42	- Other		22		
8,127				431	
					15,867
301,025	Total Long Term Assets				314,972
	Current Assets				
73	Stocks & Work in Progress	32	68		
24,186	Debtors	33	23,440		
5,877	Cash at Bank		4,050		
4,046	Payments in Advance		5,397		
90,210	Short Term Investments	31	111,397		
124,392				144,352	
	Current Liabilities				
(51,232)	Creditors	34	(55,992)		
(435)	Temporary Borrowing	31	(515)		
(3,000)	Long Term Borrowing - due within 1 year	31	(3,003)		
(2,621)	Cash Overdrawn		(6,231)		
(98)	Capital Grants & Contributions Deferred - due < 1 year		0		
(57,386)				(65,741)	
67,006	Net Current Assets				78,611
	Long Term Liabilities				
(109,589)	Long Term Borrowing - due after more than 1 year	31		(112,734)	
(98,319)	Pensions Liabilities	40		(159,952)	
(3,223)	Provisions	38		(4,018)	
(49,794)	Capital Grants & Contributions Deferred - due > 1 year			(59,400)	
(3,143)	Capital Grants Unapplied			(19,330)	
(34)	Capital Contributions Unapplied			(91)	
(626)	Deferred Credits / Deferred Capital Receipts			(421)	
(264,728)	Total Long Term Liabilities				(355,946)
103,303	TOTAL ASSETS LESS LIABILITIES				37,637

Balance Sheet as at 31 March 2008 continued

31 March 2007 £000		Note	31 March 2008		
			£000	£000	£000
	Financed by:				
150,246	Capital Adjustment Account	39.2		137,239	
0	Revaluation Reserve	39.3		8,383	
0	Available-for Sale Financial Instruments Reserve	39.4		8	
0	Financial Instruments Adjustment Account	39.5		0	
23,929	Useable Capital Receipts	39.6		20,999	
(98,319)	Pensions Reserve	40		(159,952)	
220	Major Repairs Reserve	39.7		232	
873	Unapplied Revenue Grants	43		1,447	
76,949					8,356
	Reserves and Balances				
9,648	General Fund			8,702	
4,763	LMS School Balances	41		6,166	
480	Dedicated Schools Grant	42		869	
334	Collection Fund			(165)	
6,895	Earmarked Revenue Reserves	39.8		9,224	
4,234	Other Capital Reserves	39.9		4,485	
26,354					29,281
103,303					37,637

Cash Flow Statement for the year ended 31 March 2008

2006/07			2007/08	
£000		Note	£000	£000
	Revenue Activities			
	<u>Cash Outflows</u>			
132,980	- Cash paid to and on behalf of Employees		160,608	
185,187	- Other Operating Cash Payments		222,666	
31,029	- Housing Benefit Paid Out		43,783	
41,362	- National Non Domestic Rate payments to National Pool		45,338	
16,594	- Precepts Paid		18,064	
0	- Payments to the Housing Capital Receipts Pool		121	
407,152				490,580
	<u>Cash Inflows</u>			
(83,739)	- Council Tax & Community Charge Receipts		(88,661)	
(44,819)	- National Non-Domestic Rate Receipts		(45,760)	
(35,075)	- National Non-Domestic Rate receipts from National Pool		(36,707)	
(6,782)	- Revenue Support Grant		(6,160)	
(33,149)	- DWP Grants for Benefits	48.5	(53,976)	
(153,955)	- Other Government Grants	48.5	(157,640)	
(46,996)	- Cash received for Goods and Services		(27,516)	
(9,134)	- Other Operating Cash Receipts		(85,419)	
(413,649)				(501,839)
(6,497)	Net Cash (Inflow) / Outflow from Revenue Activities	48.1		(11,259)
	Returns on Investment and Servicing of Finance			
	<u>Cash Outflows</u>			
5,484	- Interest Paid			6,118
	<u>Cash Inflows</u>			
(5,378)	- Interest Received			(8,810)
				(2,692)
	Capital Activities			
	<u>Cash Outflows</u>			
32,568	- Purchase of Fixed Assets		23,091	
0	- Purchase of Long Term Investments		7,500	
6,332	- Other Capital Cash Payments		8,336	
	<u>Cash Inflows</u>			38,927
(6,743)	- Sale of Fixed Assets		(2,084)	
(12,837)	- Capital Grants Received		(33,752)	
(85)	- Other Capital Cash Receipts		(1,948)	
				(37,784)
				1,143
12,844	Net Cash (Inflow) / Outflow before Financing			(12,808)
	Management of Liquid Resources			
9,050	- Net Increase / (Decrease) in Short Term Deposits			21,187
	Financing			
	<u>Cash Outflows</u>			
2,295	- Repayments of Amounts Borrowed			3,158
	<u>Cash Inflows</u>			
(24,000)	- New Loans Raised			(6,100)
				(2,942)
189	Net (Increase) / Decrease in Cash			5,437

Notes to the Core Financial Statements

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Notes to the Core Financial Statements

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

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

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

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.
- The General Fund Balance shows whether North Somerset Council has over or under spent against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

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

2006/07 £000		2007/08 £000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund Balance for the year	
0	Amortisation of intangible fixed assets	0
(11,843)	Depreciation and impairment of fixed assets	(23,094)
5,261	Government Grants Deferred amortisation	7,959
(6,332)	Write downs of deferred charges to be financed from capital resources	(8,336)
(670)	Net loss on sale of fixed assets	(799)
(12,772)	Net charges made for retirement benefits in accordance with FRS 17	(12,097)
(26,356)		(36,367)
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the movement on the General Fund Balance for the year	
3,884	Minimum revenue provision for capital financing	4,111
0	Transfer to / (from) Useable Capital Receipts	121
3,454	Capital Expenditure in year charged to revenue	1,203
9,485	Employer's contributions payable to the Avon Pension Fund and retirement benefits payable direct to pensioners	10,923
16,823		16,358
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement on the General Fund Balance for the year	
716	Housing Revenue account Balance	0
0	Voluntary revenue provision for capital financing	842
(2,244)	Use of general reserves	(2,247)
2,157	Use of earmarked reserves	8,513
629		7,108
(8,904)	Net additional amount required to be credited to the General Fund Balance for the year	(12,901)

Notes to the Core Financial Statements

2. Discontinued Operations

On 6 February 2006 the Council disposed of its entire housing stock to North Somerset Housing Ltd. As at 31 March 2007 no dwellings remained within the Housing Revenue Account and all residual balances were transferred to General Fund reserves following consent from DCLG to close the account.

There have been minimal residual transactions during the 2007/08 financial year, and these have been charged to the Council's General Fund.

3. Overheads and Support Service Costs

The cost of the Council's support services recharged to service accounts in the year were as follows:

	2006/07 £000	2007/08 £000
Financial Services	2,276	2,225
Legal Services	1,157	1,274
Personnel Services	1,331	1,381
Information Technology	3,506	3,356
Corporate Administration	859	950
Property Related Services	482	877
Internal Insurance Premiums	2,106	2,393
Central Expenses (postages, photocopiers, telephones, etc)	500	477
Recruitment & Retention	62	31
Central Office Accommodation	2,039	1,831
TOTAL	14,318	14,795

4. Non Distributed Costs

The majority of central support services such as finance, legal, personnel etc. should be charged, allocated or apportioned to the service divisions defined in the service expenditure analysis, such as Education and Social Services. However, the *Best Value Accounting Code of Practice* (BVACOP) specifically excludes certain costs and overheads from this requirement, and these costs are defined as Non Distributed Costs.

The two main areas within the definition of Non Distributed Costs relate to retirement benefits and unused and unusable shares of assets. The charges included within the Income and Expenditure Account can be analysed as follows:

	2006/07 £000	2007/08 £000
Past Service costs	825	1,441
FRS 17 adjustment re cash payments to Avon Pension Fund transferred to Pensions Reserve	(1,196)	2,389
Teachers discretionary non-funded pension costs	1,313	700
Curtailments	351	61
	1,293	4,591

Notes to the Core Financial Statements

5. BVACOP Service Expenditure Analysis

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

	<i>Central Services to the Public</i>	<i>Cultural, Environmental & Planning Services</i>	<i>Children's & Education Services</i>	<i>Adult Social Care</i>	<i>Highways, Roads & Transport Services</i>	<i>Housing Services (General Fund)</i>	<i>Corporate & Democratic Core</i>	<i>Non Distributed Costs</i>	<i>Total</i>
<u>Directorates</u>									
Children & Young People Services	0	0	31,418	0	0	0	0	0	31,418
Dedicated Schools Budget	0	0	(389)	0	0	0	0	0	(389)
Development & Environment	0	31,864	0	0	11,780	0	0	0	43,644
Housing Services	0	0	0	0	0	4,205	0	0	4,205
Finance & Resources and Corporate Services Unit	4,617	(47)	0	0	0	3	5,376	4,591	14,540
Adult Social Services	0	0	0	41,737	0	0	0	0	41,737
Net Directorate Expenditure	4,617	31,817	31,029	41,737	11,780	4,208	5,376	4,591	135,155

Notes to the Core Financial Statements

6. Trading Undertakings and Internal Services

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

6.1 Contract Services

The Council looks to ensure that these services, previously defined activities under the Local Government Planning and Land Act 1980 and the Local Government Act 1988, achieve a break-even position in the year after meeting statutory capital and FRS17 charges. The table below demonstrates that this was achieved in 2007/08.

<i>2006/2007</i> <i>Surplus /</i> <i>(Deficit)</i> <i>£000</i>		<i>Income</i> <i>£000</i>	<i>2007/2008</i> <i>Expenditure</i> <i>£000</i>	<i>Surplus /</i> <i>(Deficit)</i> <i>£000</i>
	Activities			
82	Grounds	647	581	66
(92)	Transport	1,952	2,006	(54)
(10)		2,599	2,587	12
	Contract Services – Reserve			
0	Balance at 1 April			0
(10)	Surplus / (Deficit) for Year			12
7	Depreciation			7
22	FRS17 Adjustment			(19)
(19)	Contribution from / (to) General Fund Reserves			0
0	Balance at 31 March			0

6.2 Other Trading Accounts

<i>2006/07</i> <i>Surplus /</i> <i>(Deficit)</i> <i>£000</i>		<i>Income</i> <i>£000</i>	<i>2007/08</i> <i>Expenditure</i> <i>£000</i>	<i>Surplus /</i> <i>(Deficit)</i> <i>£000</i>
	Activities			
7	Education	3,487	3,474	13
18	Legal Services	1,076	1,043	33
25		4,563	4,517	46

Legislation

Legislation surrounding these trading accounts only applied until January 2000. However, the Council has decided to continue trading accounts for these services.

Break Even

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

Income & Expenditure Account

The £46,000 surplus shown above is combined with the Contract Services trading surplus of £12,000 to give a total net surplus of £58,000 shown on the Income & Expenditure Account (page 46) within the line "Surplus / Deficit on Trading Undertakings & Internal Services not included in Net Cost of Services".

Notes to the Core Financial Statements

7. Discretionary (Section 137) Expenditure

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. The Council's expenditure under this power was £392,000 mainly on donations to voluntary bodies working within the local community (£367,000 in 2006/07).

8. Publicity Expenditure

Under Section 5(1) of the Local Government Act 1986, the Council is required to keep a separate account of its expenditure on publicity. During 2007/08 the following expenditure was incurred:

	2006/07 £000	2007/08 £000
Staff Recruitment	473	287
Promotional Publicity	1,315	905
Total Publicity	1,788	1,192

9. Building Control Account

The Building Act 1984 requires the Council to keep a separate Building Control Account. For 2007/08 this account showed a net deficit of £32,525 after generating gross income of £630,591. Of this net deficit, a surplus of £96,779 was made on chargeable services.

Charging Account 2007/2008	<i>Chargeable</i>		<i>Non Chargeable</i>		Total Building Control	
	2006/07 £000	2007/08 £000	2006/07 £000	2007/08 £000	2006/07 £000	2007/08 £000
Expenditure						
Employee Expenses	393	379	95	92	488	471
Transport	18	15	4	4	22	19
Supplies & Services	33	39	8	9	41	48
Central & support service charges	101	101	24	24	125	125
Total Expenditure	545	534	131	129	676	663
Income						
Building Regulations Charges	(587)	(617)	0	0	(587)	(617)
Miscellaneous Income	(18)	(14)	0	0	(18)	(14)
Total Income	(605)	(631)	0	0	(605)	(631)
(Surplus)/Deficit for year	(60)	(97)	131	129	71	32

10. Agency Income and Expenditure

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

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

11. Schemes under the Transport Act 2000

No schemes under the Transport Act 2000 (e.g. road charging) were undertaken by the Council during 2007/08.

Notes to the Core Financial Statements

12. Business Improvement District Schemes

Business Improvement District (BID) projects benefit a particular area within an authority and are financed (in whole or in part) by a BID levy paid by the non-domestic ratepayers, or a class of such ratepayers, within the BID area. BID levy financed services are additional to existing baseline services provided by the local authority from its general resources.

The Council has not yet been approached by any businesses in North Somerset to proceed with any work under this Government initiative.

13. Local Authority (Goods & Services) Act 1970

Under the provisions of Section 1 of this Act, a local authority may enter into an agreement with certain specified public bodies for the supply of goods or materials, provision of professional and technical services, maintenance of land or buildings for the supply of vehicles and plant etc.

There were no material charges under this definition in 2007/08.

14. Health Act 1999 Pooled Funds

Section 31 of the Health Act 1999, the NHS Bodies and the Local Authorities Partnership Arrangements Regulations 2000, enable the establishment of joint working arrangements between NHS bodies and local authorities.

During 2007/08 the Council has continued its agreement with North Somerset Primary Care Trust for the provision of a range of services to persons with learning disabilities. The gross expenditure on these services was £7,171,516 (£7,139,557 - 2006/07) of which £1,551,029 (£1,656,023 - 2006/07) was provided by the Council. The remaining sum of £5,620,487 (£5,483,534 - 2006/07) was provided by the Primary Care Trust.

15. Local Area Agreement

The Council is a participant in a Local Area Agreement (LAA) – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2007/08, the LAA has completed the first year of its three year agreement.

The purpose of the LAA is:

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

Notes to the Core Financial Statements

The LAA partners are:

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

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

The total amount of LAA Grant received by the LSP in 2007/08 is £0.315m. The Council received £0.205m of this total to fund its own services.

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

16. Landfill Allowances Trading Scheme

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

LATS income and expenditure is included in the Income & Expenditure Account as part of Development & Environment gross income and expenditure within Net Cost of Services. In addition, surplus allowances are carried in the Balance Sheet as current assets, with liabilities to DEFRA for landfill usage carried as creditors within current liabilities. The following amounts have been included in the 2007/08 Statement of Accounts:

	<i>2007/08</i>		
	<i>Gross</i>	<i>Gross</i>	<i>Net</i>
	<i>Income</i>	<i>Expenditure</i>	<i>Expenditure</i>
Income & Expenditure Account			
Development & Environment Services	(290)	248	(42)
	<hr/>		
Balance Sheet as at 31 March 2008		<i>Upon</i>	31 March
		<i>Recognition</i>	2008
<i>Current Assets:</i>			
Landfill Usage Allowances for 2007/08		290	290
2006/07 Vintage		81	81
		<hr/>	
		371	371
<i>Current Liabilities:</i>			
Deferred Income for 2007/08		(290)	
Liability to DEFRA for 2007/08 Landfill Usage			(248)
<i>Reserves:</i>			
General Fund			(123)

Notes to the Core Financial Statements

17. Minimum Revenue Provision

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

The Department for Communities and Local Government (DCLG) has recently issued amending legislation replacing the detailed statutory rules for the calculation of the MRP. These changes come into effect for the 2007/08 financial year. The new regulations state that:

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

The aim of the new regulations is to ensure that the charge to revenue should be spread over a period similar to the useful life of the assets being financed. The Council has reviewed its previous MRP calculation and adopted a revised policy in accordance with the Regulations to ensure that previous unsupported borrowing is now charged to revenue over the same useful life of the assets financed. This has resulted in an additional Voluntary Revenue Provision of £841,716 being charged in 2007/08.

	2006/07 £000	2007/08 £000
Minimum Revenue Provision	3,884	4,111
Voluntary Revenue Provision	0	842
	3,884	4,953

18. Members' Allowances

The total of members' allowances paid in the year is as follows:

	2006/07 £000	2007/08 £000
Members' Allowances	582	594

19. Officers' Remuneration

As required by the Accounts and Audit Regulations 2003, the number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £10,000 were:

Remuneration Band	Number of Employees	
	2006/07	2007/08
£50,000 - £59,999	32	46
£60,000 - £69,999	17	12
£70,000 - £79,999	5	13
£80,000 - £89,999	3	1
£90,000 - £99,999	1	1
£100,000 - £109,999	0	2
£110,000 - £119,999	0	1
£120,000 - £129,999	1	0
£130,000 - £139,999	0	1

Notes to the Core Financial Statements

20. 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.

20.1 Central Government

Central Government has effective control over the general operations of the 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 prescribes the terms of many of the transactions that the Council has with other parties. Details of the revenue grants from Government departments are set out in Note 5 to the Cash Flow Statement (Note 48.5, page 91). In addition the Council applied the following significant capital grants for the financing of capital expenditure:

<i>Awarding Body</i>	<i>Type of Grant</i>	Amount £000
Department for Children, Schools & Families	Devolved Formula Capital	2,944
Department for Children, Schools & Families	SureStart Early Years	614
Department for Children, Schools & Families	Modernisation & Condition	1,279
Environment Agency (previously DEFRA)	Sea Defences	3,833
Communities & Local Government	Regional Housing Pot Grant	716
SWRDA	Civic Pride	898
Department for Transport	Local Transport Plan & Road Safety	1,074

20.2 Members and Chief Officers

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

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

20.3 Avon Pension Fund

The details of the payments made to the Council's Pension Fund are provided in Note 40, pages 82 - 86.

20.4 Other Public Bodies

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

Notes to the Core Financial Statements

21. Severance Payments

An amount of £15,927 (£110,854 - 2006/07) was paid in respect of severance payments in the year. All these payments are within the limits permitted by statute and the superannuation and compensation regulations, applicable at the time of the payment.

The Council's policy with regard to such payments, and as agreed with the Pension Fund administrators, is that the Council pays the fund for the costs immediately, but charges the cost to revenue over a five-year period.

In 2007/08, a sum of £385,355 was charged to revenue and at the year-end, the balance shown in Payments in Advance in the balance sheet for these transactions was £601,428.

22. Audit Costs

In 2007/08 North Somerset Council incurred the following fees relating to external audit and inspection.

	2006/07 £000	2007/08 £000
• Fees payable to the appointed auditor with regard to external audit services		
- Robson Rhodes LLP	205	0
- Audit Commission	0	225
• Fees payable to the Audit Commission in respect of statutory inspection	22	48
• Fees payable to the Audit Commission for the certification of grant claims and returns	80	57
• Fees payable to the appointed auditor in respect of other services provided		
- Robson Rhodes LLP	61	10
- Audit Commission	0	0
	368	340

23. Trust Accounts

The Council acts as sole trustee of the FH Collins Trust. The funds do not represent assets of the Council and they have not been included in the Balance Sheet. Working in partnership with Weston-super-Mare Town council, the funds have been distributed to voluntary groups who assist with providing food and shelter to vulnerable groups at Christmas. This is in accordance with the objectives of the trust.

	<i>B/fwd.</i>	<i>Income</i>	<i>Expenditure</i>	<i>C/fwd.</i>
Revenue for the year ending 31 March 2008	473	0	473	0
Balance Sheet as at 31 March 2008				
Assets – Cash				0
Liabilities – Creditors				0

Following full utilisation of the trust during the last financial year, the Council will apply during 2008/09 to the Charities Commission seeking formal closure of the account.

Notes to the Core Financial Statements

24. Fixed Assets

24.1 Movement of Fixed Assets 2007/08

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

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

Movement of Operational Assets 2007/08					
	<i>Land & Buildings</i>	<i>Infrastructure Assets</i>	<i>Community Assets</i>	<i>Vehicles, Plant & Equipment</i>	Total
	£000	£000	£000	£000	£000
Gross Book Value as at 31 March 2007	289,758	16,231	2,161	8,218	316,368
Accumulated Depreciation & Impairment	(28,488)	0	(12)	(3,728)	(32,228)
Net Book Value as at 31 March 2007	261,270	16,231	2,149	4,490	284,140
Movement in year 2007/08					
Additions	10,409	10,112	264	2,253	23,038
Disposals	(2,974)	0	0	0	(2,974)
Revaluations	3,986	0	10	0	3,996
Impairments	(4,363)	(3,278)	(179)	0	(7,820)
Transfers between categories	0	0	0	0	0
	7,058	6,834	95	2,253	16,240
Depreciation in year					
Depreciation for year	(10,381)	0	(12)	(1,109)	(11,502)
Depreciation on assets sold / disposals	230	0	0	0	230
Revaluations	0	0	0	0	0
	(10,151)	0	(12)	(1,109)	(11,272)
Gross Book Value as at 31 March 2008	301,179	26,343	2,435	10,471	340,428
Accumulated Depreciation	(38,639)	0	(24)	(4,837)	(43,500)
Accumulated Impairment	(4,363)	(3,278)	(179)	0	(7,820)
Net Book Value as at 31 March 2008	258,177	23,065	2,232	5,634	289,108

Movement of Non Operational Assets 2007/08				
	<i>Investment Properties</i>	<i>Assets Under Construction</i>	<i>Surplus Assets</i>	Total
	£000	£000	£000	£000
Gross Book Value as at 31 March 2007	4,664	0	4,275	8,939
Accumulated Depreciation & Impairment	(169)	0	(12)	(181)
Net Book Value as at 31 March 2007	4,495	0	4,263	8,758
Movement in year 2007/08				
Additions	0	714	0	714
Disposals	0	0	(1)	(1)
Revaluations	0	0	345	345
Depreciation	169	0	12	181
Impairments	0	0	0	0
Transfers between categories	486	0	(486)	0
	655	714	(130)	1,239
Gross Book Value as at 31 March 2008	5,150	714	4,133	9,997
Accumulated Depreciation	0	0	0	0
Accumulated Impairment	0	0	0	0
Net Book Value as at 31 March 2008	5,150	714	4,133	9,997

Notes to the Core Financial Statements

The Council does not have any Intangible Fixed Assets, at the beginning or end of the 2007/08 financial year, despite undertaking a detailed search of transactions and processes.

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

24.2 Depreciation

The Council has a detailed policy on the assessment of asset lives and on the calculation of depreciation of its assets. Service revenue accounts have been charged with depreciation as follows:

	<i>2006/07</i>	<i>2007/08</i>
	<i>£000</i>	<i>£000</i>
Development and Environment	4,048	3,984
Children & Young People's Services	6,518	6,478
Housing General Fund	57	23
Finance & Resources and Corporate Services	823	657
Adult Social Services	397	360
Total Depreciation Charged	11,843	11,502

Notes to the Core Financial Statements

24.3 Capital Financing Requirement

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

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

<i>2006/07</i>		<i>2007/08</i>
<i>£000</i>		<i>£000</i>
80,092	Opening Capital Financing Requirement	92,718
	Capital Investment in Year	
32,568	Tangible Fixed Assets	23,752
0	Intangible Assets	0
6,769	Deferred Charges	8,336
<u>39,337</u>		<u>32,088</u>
	Direct Funding of Capital Investment in Year	
(12,131)	Government Grants and Other Contributions	(17,067)
(9,099)	Capital Receipts	(7,543)
(1,464)	Direct Revenue Funding	(1,203)
(4,017)	MRP & Voluntary Set Aside	(4,953)
<u>(26,711)</u>		<u>(30,766)</u>
12,626	Net Increase in Capital Financing Requirement	1,322
<u>92,718</u>	Closing Capital Financing Requirement	<u>94,040</u>
	The increase in the underlying need to borrow is represented by:	
15,610	Borrowing supported by the Government	5,006
1,033	Borrowing not supported by the Government (Prudential Borrowing)	1,269
(4,017)	Less MRP & Voluntary Set Aside	(4,953)
<u>12,626</u>		<u>1,322</u>

24.4 Commitments under Capital Contracts as at 31 March 2008

Major capital commitments existed as at 31 March 2008 for the following capital schemes for which the Council has in place the necessary funding:

	<i>Period over which the investment will take place</i>	<i>Project Cost £000</i>
Nailsea BSF	<i>2008/2011</i>	31,335
Sea Defences	<i>2008/2010</i>	1,334
LTP	<i>2008/ongoing</i>	534
Total Commitments under Capital Contracts		<u>33,203</u>

Notes to the Core Financial Statements

24.5 Information on Assets Held

The assets of the Council comprise of:

<i>Description</i>	No. / area		NBV at
	<i>2006/07</i>	<i>2007/08</i>	31 March 2008 £000
Operational Land and Buildings			
Schools	80	80	172,534
Leisure and Sports Centres	12	12	32,797
Entertainment, Community and Activity Centres, Halls and Libraries	24	24	25,242
Public Conveniences	42	42	2,269
Administrative and Municipal Buildings	5	5	3,356
Car Parks	53	49	12,072
Depots	5	5	2,534
Other			7,372
Non Operational Land and Buildings			
Agricultural and Smallholdings	9	9	3,156
Commercial and Retail Outlets	3	3	1,709
Other			285
Operational Plant and Equipment			
Schools Equipment	9	14	1,451
Vehicles	7	8	801
Computing Systems and Equipment	16	18	2,566
CCTV Equipment	2	2	215
Other	16	17	602
Infrastructure Assets			23,065
Community Assets			
Parks and Open Spaces	24	25	1,868
Other			364
Surplus Assets			4,133
Non Operational Assets under Construction			714
Net Book Value as at 31 March 2008			299,105

Notes to the Core Financial Statements

24.6 Valuation Information

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

	<i>Land & Buildings</i> £000	<i>Infrastructure Assets</i> £000	<i>Community Assets</i> £000	<i>Vehicles, Plant & Equipment</i> £000	<i>Investment Properties</i> £000	<i>Assets Under Construction</i> £000	<i>Surplus Assets</i> £000	Total £000
Valued at Historical Cost	4,417	23,065	2,232	5,634	6	714	13	36,081
Valued at Current Value in year								
2007/08	13,356	0	0	0	2,416	0	0	15,772
2006/07	18,239	0	0	0	141	0	0	18,380
2005/06	16,486	0	0	0	2,449	0	4,120	23,055
2004/05	27,060	0	0	0	138	0	0	27,198
2003/04	166,293	0	0	0	0	0	0	166,293
2002/03	3,058	0	0	0	0	0	0	3,058
Prior to 2002/03	9,268	0	0	0	0	0	0	9,268
Total	258,177	23,065	2,232	5,634	5,150	714	4,133	299,105

25. Assets Held Under Leases

25.1 Operating Leases

Vehicles, Plant & Equipment – the Council uses vehicles and equipment financed under terms of an operating lease. The amount paid under these arrangements in 2007/08 was £121,986 (£119,017 - 2006/07).

Commitments under Operating Leases – the Council was committed at 31 March 2008 to making payments of £304,827 under operating leases, comprising the following elements:

	2007/08 £000
Leases expiring in 2008/09	4
Leases expiring between 2009/10 to 2013/14	232
Leases expiring after 2013/14	69
	305

Notes to the Core Financial Statements

25.2 Finance Leases

The Council had no outstanding obligations under finance lease arrangements as at 31 March 2008.

26. Authority as Lessor

With regard to the Authority's activity as a lessor, the Council owns various commercial and investment property that it leases out. The gross value of assets which were held for use in operating leases was £5.149m, valued at 31 March 2008. All properties are non-operational and, therefore, depreciation does not apply to these assets.

	2006/07 £000	2007/08 £000
Non-Operational Land and Buildings:		
Rental Income received in year from Operating Leases and credited to Services	214	247

27. Analysis of Net Assets Employed

The Net Assets employed by the Council totalling £37.637m are represented by the aggregate of reserves attributable to the authority. Following the closure of the Housing Revenue Account, all of these funds are attributable to the General Fund.

28. Movements in Deferred Charges

In accordance with the SoRP, Deferred Charges expenditure incurred in 2007/08 has been written out to the Income and Expenditure Account as it is incurred and no balance is carried in the Balance Sheet. (See Accounting Policy 4, page 9)

Deferred Charges incurred and written out during the year are as follows:

	2007/08 £000
Disabled Facilities Grants	1,268
Private Sector Renewal	325
Assistance to Housing Associations	3,512
Other Housing Services	4
VA and VC Schools	889
Capital Works & Grants – Non Council Property	2,096
Feasibility Studies	242
Total Deferred Charges	8,336

Notes to the Core Financial Statements

29. Long Term Investments

The Council's long term investments consist of:

	2006/07*	2006/07**	2007/08
	£000	£000	£000
Association of District Councils Debenture	50	50	50
Externally Managed Investments	2,500	2,625	8,195
Internally Managed Investments	5,000	5,035	7,190
Repair & Renewals Fund – 3.5% Conversion Stock	1	1	1
Total Long Term Investments	7,551	7,711	15,436

* Reflecting the position shown in the 2006/07 published Statement of Accounts

** Reflecting the position as at 1st April 2007, adjusted for the new SoRP requirements

30. Long Term Debtors

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

	2006/07	2007/08
	£000	£000
Mortgages	534	409
Other Housing Long Term Debtors	13	12
	547	421
Car Loans to Employees	31	12
Provisions for Doubtful Debts	(2)	(2)
Total Long Term Debtors	576	431

31. Financial Instruments

31.1 Categories and Balances of Borrowings & Investments

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

	<i>Long Term</i>			<i>Current</i>		
	31 March 2007 *	31 March 2007 **	31 March 2008	31 March 2007 *	31 March 2007 **	31 March 2008
	£000	£000	£000	£000	£000	£000
Financial liabilities at amortised cost	109,428	109,685	112,617	3,435	3,436	3,518
Financial liabilities at fair value through profit and loss	0	0	0	0	0	0
Credit Cover arrangements	118	118	94	43	43	24
Total Borrowings	109,546	109,803	112,711	3,478	3,479	3,542
Loans and receivables	7,551	7,711	15,436	76,250	77,457	94,545
Available-for-sale financial assets	0	0	0	13,960	14,124	16,852
Unquoted equity investment at cost	0	0	0	0	0	0
Total Investments	7,551	7,711	15,436	90,210	91,581	111,397

* Reflecting the position shown in the 2006/07 published Statement of Accounts

** Reflecting the position as at 1st April 2007, adjusted for the new SoRP requirements

Notes to the Core Financial Statements

31.2 Events with Material Effect

There have been no events with material effect.

31.3 Gains & Losses

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

	Financial Liabilities	Financial Assets		Total
	<i>Liabilities measured at amortised cost</i>	<i>Loans and Receivables</i>	<i>Available for sale assets</i>	
	£000	£000	£000	£000
Interest expense	5,858	0	0	5,858
Losses on derecognition	0	0	0	0
Impairment losses	0	0	0	0
Interest payable and similar charges	5,858	0	0	5,858
Interest income	0	(6,364)	(894)	(7,258)
Gains on derecognition	0	0	0	0
Interest and investment income	0	(6,364)	(894)	(7,258)
Gains on revaluation			(8)	(8)
Losses on revaluation			0	0
Amounts recycled to the I&E Account after impairment			0	0
Surplus arising on revaluation of financial assets			(8)	(8)

31.4 Fair value of Assets & Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

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

Notes to the Core Financial Statements

The fair values calculated are as follows:

	31 March 2007			31 March 2008	
	<i>Carrying amount *</i> £000	<i>Carrying amount **</i> £000	<i>Fair value</i> £000	<i>Carrying amount</i> £000	<i>Fair Value</i> £000
Financial liabilities	113,024	113,282	112,645	116,253	121,794
Loans and receivables	83,801	85,169	85,026	109,980	111,254

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

* Reflecting the position shown in the 2006/07 published Statement of Accounts
 ** Reflecting the position as at 1st April 2007, adjusted for the new SoRP requirements, including accrued interest

31.5 Nature & extent of risks arising from financial instruments

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

- credit risk – the possibility that other parties might fail to pay amounts due to the authority
- liquidity risk – the possibility that the Council might not have funds available to met 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 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 are rated independently with a minimum score of at least A. The Council has a policy of not lending more than £7m to one institution at any one time, with the Council's in-house team limited to investing £4m with any one institution at any one time.

Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings within parameters within the Annual Investment Strategy.

Notes to the Core Financial Statements

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 2008</i>	<i>Historical experience of default</i>	<i>Historical experience adjusted for Market Conditions</i>	<i>Estimated maximum exposure to default & uncollectability</i>
	<i>£000 (A)</i>	<i>% (B)</i>	<i>% (C)</i>	<i>£000 (A x C)</i>
Deposits with banks & financial institutions	126,832	0.002%	0.002%	3
Bonds	0	0.002%	0.002%	0
Customers (Trade Debtors)	15,616	5.597%	5.597%	874
				877

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

Liquidity Risk

As the Council has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy is to ensure that not more than £7m of loans are due to mature within any one year through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments.

The maturity analysis of financial liabilities is as follows:

	<i>£000</i>
Less than one year	3,542
Between one and two years	3,048
Between two and five years	16,153
Between five and ten years	14,062
More than ten years	79,448
	116,253

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 Income & Expenditure Account will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates - the interest income credited to the Income & Expenditure Account will rise
- investments at fixed rates – the fair value of the assets will fall

Notes to the Core Financial Statements

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income & Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income & Expenditure Account and affect the General Fund Balance. Movements in the fair value of fixed rate investments will be reflected in the STRGL.

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

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

Price Risk

The Council is exposed to risk of changes in the price of Certificates of Deposit which form part of the externally managed portfolio of investments. A general shift up or down in the quoted bid prices on 31 March 2008 of 1% would have resulted in a gain or loss of £145,000 being recognised in the Income and Expenditure account.

Foreign Exchange Risk

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

32. Stocks and Work in Progress

The following stocks were held as at 31 March 2008:

	2006/07 £000	2007/08 £000
Bars and Catering	34	33
Controlled Stationery	16	12
Green Sacks	23	23
	<hr/>	<hr/>
	73	68

Notes to the Core Financial Statements

33. Debtors (incl. Bad Debt Provisions)

	2006/07 £000	2007/08 £000
Amounts falling due within one year:		
<u>Collection Fund</u>		
Council Tax	7,831	6,123
less : Bad Debt Provision	(4,338)	(3,191)
	3,493	2,932
N.N.D.R	5,190	5,979
less : Bad Debt Provision	(2,807)	(3,346)
	2,383	2,633
Community Charge Arrears	64	5
less : Bad Debt Provision	(64)	(5)
	0	0
<u>Total Collection Fund Debtors</u>	5,876	5,565
Rent Allowances / Rebates Overpayments	3,082	2,006
less : Bad Debt Provision	(2,993)	(1,784)
	89	222
Housing Arrears	245	245
less: Bad Debt Provision	(245)	(245)
	0	0
<u>Other Debtors</u>		
Government Departments		
- General	2,062	1,315
- VAT	1,489	1,606
Housing Advances	2	1
Sundry Debtors	16,233	15,592
Car Loans to Employees	18	11
	19,804	18,525
less: Bad Debt Provision (Sundry Debtors)	(1,583)	(872)
<u>Total Other Debtors</u>	18,221	17,653
Total Debtors (due within one year)	24,186	23,440

Notes to the Core Financial Statements

34. Creditors

	2006/07 £000	2007/08 £000
Government Departments	4,850	5,525
General Creditors	22,867	20,641
Collection Fund	3,153	2,642
Receipts in Advance		
- General	7,394	13,237
- Collection Fund	1,792	1,314
Deposits (incl. S106 Agreements)	11,176	12,633
	51,232	55,992

The Collection Fund creditor covers refunds due to NNDR and Council Tax payers. This allows for the debtors concerned to be 'grossed up' and compared appropriately with the respective bad debt provisions as shown in Note CF4b, page 94.

35. Avon County Council Debts and Leases

Following Local Government Reorganisation, the responsibility for administering Avon County Council's outstanding debt and finance leases 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 debt and leasing rentals.

The total debt outstanding as at 31 March 2008 is £104.461m (£108.007m - 2006/07) of which North Somerset Council's share is £20.337m (£21.184m - 2006/07). The interest paid in 2007/08 was £1.296m (£1.398m - 2006/07). The payments made in 2007/08 were as follows:

	2006/07 £000	2007/08 £000
Debt Rescheduling – MRP	21	21
Avon CC LGR – MRP	0	0
Avon CC Debt – Principal Repaid	883	847
Total Debt Repayments	904	868

36. Contingent Liabilities

Whilst the Council has a small number of ongoing cases, none of them present the Council with a significant liability as at 31 March 2008. The following latest report from Municipal Mutual Insurance Ltd. (MMI) informs the Council of a possible future financial exposure.

Municipal Mutual Insurance Ltd. (MMI)

Municipal Mutual Insurance Ltd. went into 'run-off' on 30 September 1992. For the policy years prior to 1992/93, North Somerset faces a potential liability. If in future MMI has insufficient funds to meet future claims with regard to this period, then the 'MMI Scheme of Arrangement' will be triggered. The scheme creditors, of whom North Somerset are one, would be liable to repay the total value of claim payments received to date, less £50,000. Despite the fact that the Directors of MMI continue to believe that a solvent run-off under the Agreement can be achieved with a full payment of all agreed claims, there is a possibility that North Somerset could have a potential financial exposure under the terms of the Agreement. The exposure of the Company to asbestos related disease claims, vibration white finger and child abuse cases as well as IBNR (incurred but not reported) claims could mean that a solvent run-off is not achievable. As at 31st March 2007 the Council had a potential maximum financial exposure of approximately £476,000. No further update has yet to be received.

Notes to the Core Financial Statements

37. Insurance Provisions and Reserves

The insurance provisions and reserves balance stood at £5.655m as at 31 March 2008. Identified outstanding potential commitments at this date stand at approximately £2.384m and are reflected in the insurance provisions shown in Note 38, below. However, as always with insurance claims, they can take time to materialise and therefore the Council has set-aside reserves totalling £3.271m 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 39.8, page 81.

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 wither by external insurance or the insurance reserves are as follows:

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

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

38. Provisions

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

<i>Name of Provision</i>	<i>1 April 2007 £000</i>	<i>Receipts in Year £000</i>	<i>Appropriations in Year £000</i>	<i>31 March 2008 £000</i>
General Fund Insurance	1,945	1,317	(902)	2,360
FMS Development Provision	69	(35)	0	34
Single Status Phase 2	104	0	(55)	49
NNDR Revaluation Costs	487	13	0	500
LSVT – Housing General Fund	60	(5)	(39)	16
LPSA Provisions	120	0	0	120
IT Data Capture Projects	60	40	(13)	87
Homelessness Review	5	0	0	5
Private Housing Survey	82	29	(111)	0
Travellers Survey	10	0	(10)	0
Planning Appeals	199	0	0	199
South Ward SSC Programme	0	345	0	345
Rent Reviews	0	243	0	243
Ex-HRA Insurance	82	4	(26)	60
	3,223	1,951	(1,156)	4,018

Notes to the Core Financial Statements

39. Reserves

39.1 Summary of Movements on Reserves

<i>Reserve</i>	<i>Balance 1 April 2007 £000</i>	<i>Net Movement in Year in Year £000</i>	<i>Balance 31 March 2008 £000</i>	<i>Purpose of Reserve</i>	<i>Further Detail</i>
Capital Adjustment Account	150,246	(13,007)	137,239	Store of capital resources set aside to meet past expenditure	Note 39.2
Revaluation Reserve	0	8,383	8,383	Store of gains on revaluation of fixed assets not yet realised through sales	Note 39.3
Available-for-Sale Financial Instruments Reserve	0	8	8	Store of gains on revaluation of investments not yet realised through sales	Note 39.4
Financial Instruments Adjustment Account	0	0	0	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments	Note 39.5
Usable Capital Receipts	23,929	(2,930)	20,999	Proceeds of fixed asset sales available to meet future capital investment	Note 39.6
Pensions Reserve	(98,319)	(61,633)	(159,952)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 40 Page 82
Major Repairs Reserve	220	12	232	Residual balance of resources available to meet capital investment in council housing	Note 39.7
General Fund	9,648	(946)	8,702	Resources available to meet future running costs	SMGFB Page 47
LMS School Balances	4,763	1,403	6,166	See Note for Detail	Note 41 Page 86
Dedicated Schools Grant	480	389	869	See Note for Detail	Note 42 Page 86
Collection Fund	334	(499)	(165)	Balance of taxpayers' income attributable to NSC	Collection Fund Page 91
Unapplied Revenue Grants	873	574	1,447	Various	Note 43 Page 86
Earmarked Revenue Reserves	6,895	2,329	9,224	See Note for Detail	Note 39.8
Other Capital Reserves	4,234	251	4,485	See Note for Detail	Note 39.9
TOTAL NET WORTH	103,303	(65,666)	37,637		

Notes to the Core Financial Statements

39.2 Capital Adjustment Account

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

	2007/08
	£000
Balance brought forward - 1 April 2007	150,288
Amendment to balance b/fwd re: Hsg Pooled Receipts	(41)
<u>Historical Cost of acquiring, creating or enhancing fixed assets</u>	
- Depreciation & impairment losses	(23,073)
- Historical cost depreciation & impairment loss adjustment	26
- Book value of assets on disposal	(2,883)
- Transfer of revaluation gains for assets outstanding on disposal	0
	(25,930)
<u>Resources set aside to finance capital expenditure</u>	
- Capital Receipts	6,996
- Direct Revenue Financing	1,350
- Minimum Revenue Provision	4,953
- Government Grants Deferred	7,959
	21,258
<u>Amortisation of Deferred Charges</u>	(8,336)
Balance carried forward – 31 March 2008	137,239

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

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

39.3 Revaluation Reserve

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

	2007/08
	£000
Balance brought forward - 1 April 2007	0
Gains / (Losses) on revaluation of fixed assets	8,409
Historical Cost depreciation adjustment	(26)
Write-out of balances on assets disposed	0
Balance carried forward – 31 March 2008	8,383

Notes to the Core Financial Statements

39.4 Available-for-Sale Financial Instruments Reserve

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

	<i>2007/08</i> <i>£000</i>
Balance brought forward - 1 April 2007	0
Gains in value recognised in year	8
Losses arising from changes in value in year	0
Gains / Losses written-off on impairment	0
Balance carried forward – 31 March 2008	8

39.5 Financial Instruments Adjustment Account

This Account provides a balancing mechanism, holding the accumulated difference between the financing costs included in the Income & Expenditure Account and the accumulated financing costs required in accordance with regulations to be charged to the General Fund Balance. In the first year of the account there have been no transactions.

	<i>2007/08</i> <i>£000</i>
Balance brought forward - 1 April 2007	0
Financing costs written out	0
Government Grants Deferred	0
Premiums / Discounts on early repayment of debt	0
Balance carried forward – 31 March 2008	0

39.6 Useable Capital Receipts Reserve

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

	<i>2007/08</i> <i>£000</i>
Balance brought forward - 1 April 2007	23,929
Repayment of Receipts applied as forward funding of capital spend in prior years	801
Repayment of Receipts to reimburse costs in prior years	30
Receipts from Sale of Assets in year	4,182
Amounts transferred to Capital Adjustment Account to finance new capital expenditure	(7,395)
Amounts transferred to Capital Reserves to finance previous capital spend	(427)
Pooling of Housing Capital Receipts	(121)
Balance carried forward – 31 March 2008	20,999

Notes to the Core Financial Statements

39.7 Major Repairs Reserve

	2007/08 £000
Balance brought forward - 1 April 2007	220
Appropriations to / from other Reserves	0
Financing Capital Expenditure	0
Internal Interest applied in year	12
Balance carried forward – 31 March 2008	232

39.8 Earmarked Reserves (Revenue)

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

For each Reserve established the Council identifies

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

	<i>Balance 1 April 2007 £000</i>	<i>Transfers between Reserves £000</i>	<i>Additions £000</i>	<i>Withdrawals £000</i>	<i>Balance 31 March 2008 £000</i>
Insurance Reserve (incl. ex-HRA)	2,705	0	566	0	3,271
Corporate Services	1,717	1,525	871	(367)	3,746
Development & Environment	1,430	(75)	538	(550)	1,343
Children & Young People	78	0	0	(11)	67
Housing & Social Services	523	(100)	93	(107)	409
Sold Flats Sinking Fund (ex-HRA)	442	0	78	(132)	388
	6,895	1,350	2,146	(1,167)	9,224

Reserve	Description
Insurance Reserve	See Note 37, page 77
Corporate Services	Major items include the Customer Access Programme reserve, and a reserve established to cover any environmental issues arising following the Housing Stock Transfer, which are covered under contract warranties.
Development & Environment	Major reserves include partnership monies held under the Council's role as accountable body, as well as essential health and safety works
Children & Young People	Reserve carrying forward surpluses created by trading services.
Housing & Social Services	The major reserve relates to possible repayments under s.117 of Mental Health Act 1983.
Sold Flats Sinking Fund (ex-HRA)	Monies held in sinking funds to be used for repairs at leasehold properties

Notes to the Core Financial Statements

39.9 Other Capital Reserves

The Council holds the following non-statutory / regulatory capital reserves. They have been established on the same basis as the revenue reserves described in Note 39.8 above, but have been created specifically for future investment on capital schemes and projects. However, a degree of flexibility is retained in their treatment depending on prevailing budget conditions.

	<i>Balance</i> 1 April 2007 £000	<i>Transfers</i> £000	<i>Additions</i> £000	<i>Withdrawals</i> £000	<i>Balance</i> 31 March 2008 £000
General Capital Reserve	3,019	(508)	0	0	2,511
Earmarked Capital Reserve	1,215	(1,888)	2,897	(250)	1,974
	4,234	(2,396)	2,897	(250)	4,485
<i>Reserve</i>	<i>Description</i>				
General Capital Reserve	A general reserve available to finance approved capital spend				
Earmarked Capital Reserve	A number of specific capital reserves earmarked for use in delivering approved capital investment				

40. Retirement Benefits

40.1 Participation in Schemes

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

The Council participates in two schemes:

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

40.2 Local Government Pension Scheme

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

Transactions Relating to Retirement Benefits

In accordance with *FRS17 Retirement Benefits*, we recognise the cost of retirements benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance.

Notes to the Core Financial Statements

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

	2006/07 £000	2007/08 £000
Income & Expenditure Account		
<i>Net Cost of Services:</i>		
- Current Service Cost	10,641	9,041
- Past Service Cost / Curtailments	351	2,450
<i>Net Operating Expenditure:</i>		
- Interest Cost	16,533	18,330
- Expected return on assets in the scheme	(15,277)	(17,724)
Net Charge to the Income & Expenditure Account	12,248	12,097
Statement of Movement in the General Fund Balance		
Reversal of net charges made for retirement benefits in accordance with FRS17	(12,248)	(12,097)
Actual amount charged against the General Fund Balance for pensions in the year – Employers' contributions payable to scheme	9,485	10,923

Assets and Liabilities in Relation to Retirement Benefits

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

	2006/07 £m	2007/08 £m
Estimated Liabilities in scheme	(338.7)	(381.7)
Estimated Assets in scheme	265.4	247.4
Net Asset / (Liability)	(73.3)	(134.3)

The liabilities show the underlying commitments that the authority has in the long run, in order to pay retirement benefits. The total liability of £381.7m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance on the Pensions Reserve (including Teachers Pension Fund activities) of nearly £160.0m. Statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy 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.

Notes to the Core Financial Statements

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, and estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Mercer Limited, an independent firm of actuaries, estimates Avon Pension Fund being based on the latest full valuation of the scheme as at 31 March 2007.

The main assumptions used in their calculations have been:

	2006/07	2007/08
Rate of inflation	3.1%	3.6%
Rate of increase in salaries	4.35%	4.85%
Rate of increase in pensions	3.1%	3.6%
Rate for discounting scheme liabilities	5.4%	6.1%
Take-up of option to convert annual pension into retirement grant	50%	50%

Assets in the Avon Pension Fund are valued at fair value, principally market value for investments, totalling £247.4m for the Fund as a whole at 31 March 2008 (£265.4m at 31 March 2007). The Fund's assets consist of the following categories, by proportion of the total assets held by the fund:

	<i>Long term return</i> %	<i>31 March 2007</i>		<i>31 March 2008</i>	
		£000	%	£000	%
Equity Investments	7.5	204,900	77.2	154,840	62.6
Government Bonds	4.6	33,973	12.8	43,781	17.7
Other Bonds	6.1	20,702	7.8	12,862	5.2
Cash / Liquidity	5.25	5,839	2.2	10,141	4.1
Other	7.5	0	0.0	25,724	10.4
		265,414	100.0	247,348	100.0

Actuarial Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2007/08 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets of liabilities at 31 March 2008:

<i>2003/04</i>		<i>2004/05</i>		<i>2005/06</i>		<i>2006/07</i>		<i>2007/08</i>	
£000	%	£000	%	£000	%	£000	%	£000	%
24,784	13.7	5,119	2.6	35,219	14.1	(871)	0.3	(23,038)	9.3
0	0.0	(6,237)	2.1	(3,367)	1.0	0	0.0	(14,921)	3.9
0	0.0	(48,866)	16.4	(27,715)	8.3	16,979	5.0	(21,800)	5.7
24,784		(49,984)		4,137		16,108		(59,759)	

Notes to the Core Financial Statements

Funding Position

The movement in net deficit for the year to 31 March 2008 is as follows:

	2006/07 £000	2007/08 £000
Net Pensions Liability as at 1 April	(86,725)	(73,380)
Contributions paid	9,485	10,923
Current Service Costs	(10,641)	(9,041)
Past Service Costs	0	(2,389)
Gain / (Loss) on Curtailments	(351)	(61)
Expected return on Pension Fund assets	15,277	17,724
Interest on Pension Fund liabilities	(16,533)	(18,330)
Actuarial Gains / (Losses)	16,108	(59,759)
Net Pensions Liability as at 31 March	(73,380)	(134,313)

40.3 Teachers' Pension Scheme

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

In 2007/08 the Council paid £7.529m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2006/07 were £7.004m and 13.59% respectively. There were no contributions remaining payable at the year-end.

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

The arrangements for the scheme are such that the liabilities are not readily identifiable to the Council but have been recognised based on the application of an actuarial factorisation; multiplying payments in year in respect of current and prior years by a factor of 19.

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

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

	2006/07 £000	2007/08 £000
Net Liability as at 1 April	(24,415)	(24,939)
Benefits awarded in year	(524)	(700)
Net Liability as at 31 March	(24,939)	(25,639)

Notes to the Core Financial Statements

40.4 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 £33,616 (£9,713 - 2006/07) and to Gloucestershire County Council of £5,699 (£4,041 - 2006/07) 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 FRS17, and have been charged to Non Distributed Costs in the Income & Expenditure Account.

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

41. LMS School Balances

The balance of £6.166m (£4.763m - 2006/07) 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 2008 and are not available to the Council for general use.

42. Deployment of Dedicated Schools Grant

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

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

The details of the deployment of DSG receivable for 2007/08 and the balances carried over as at 31 March 2008 are as follows:

	<i>Central Expenditure</i>	<i>Individual Schools Budget</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Original grant allocation to the Schools Budget	12,626	87,049	99,675
Adjustment to final grant allocation	0	6	6
DSG receivable for the year	12,626	87,055	99,681
Actual expenditure for the year	12,249	86,368	98,617
(Over) / underspend for the year	377	687	1,064
(Over) / underspend from prior year	492	0	492
(Increase) / Decrease of schools balances brought forward	0	(687)	(687)
(Over) / underspend carried forward to 2008/09	869	0	869

43. Unapplied Revenue Grants

As at 31 March 2008, the Council have received £1.447m of revenue grants which have yet to be applied to finance expenditure, as the activity for which they are to be used to finance had not yet taken place.

Notes to the Core Financial Statements

44. Prior Period Adjustments

44.1 Implementation of the Revaluation Reserve

The 2006 SoRP made a number of significant changes to capital accounting and set out the changes to come into effect on 1 April 2007 which would implement a Revaluation Reserve and Capital Adjustment Account, replacing the Fixed Asset Restatement Reserve and Capital Financing. These provisions have now been consolidated fully into the 2007 SoRP.

The Balance Sheet figures for 31 March 2007 have been adjusted from those included in the Statement of Accounts for 2006/07 to accommodate the implementation of the Revaluation Reserve (see Accounting Policy, page 7). The Revaluation Reserve replaces the Fixed Asset Restatement Account (FARA). The credit balance of £62.564m on the FARA at 31 March 2007 has been written off the Capital Financing Account (£87.724m credit balance) to form the new Capital Adjustment Account with a balance of £150.288m. The Revaluation Reserve has then been included in the Balance Sheet with a zero opening balance. The closing position on the Reserve at 31 March 2008 therefore only shows revaluation gains accumulated since 1 April 2007.

44.2 Financial Instruments

Changes in accounting policy would normally be implemented with full prior period adjustments, such that comparative figures for the previous year and opening balances are restated as if the policy had always been applied. However, such a treatment is unrealistic for financial instruments, where the complexity of unravelling the consequences of some transactions could make recalculation impossible.

Therefore, in accordance with the SoRP, new accounting policies have been applied in full to new transactions arising in 2007/08 only, with the 2006/07 comparative figures brought forward unchanged from the 2006/07 Statement of Accounts. Any adjustments that might be needed as a result of recognition, de-recognition or re-measurement have been made as at 1 April 2007 on the opening balances for 2007/08, affecting not only borrowing and investments, but also debtors, creditors and cash.

45. Exceptional Items

Following a report to Council on 24 July 2007 (Minute COU82), the Council withdrew the provision of essential car user allowances to employees. The sum of £1.021m has been paid to employees as compensation for the withdrawal of these allowances.

46. Events after the Balance Sheet Date

No material events after the Balance Sheet Date have been identified.

47. Authorisation of the Statement of Accounts for Issue

The Statement of Accounts 2007/2008 was authorised for issue by Phil Hall, Director of Finance and Resources, on 17 June 2008.

Only events which have taken place prior to this date will have been recognised in the Statement of Account 2007/2008.

Notes to the Core Financial Statements

48. Notes to the Cash Flow Statement

48.1 – Note 1 to the Cash Flow Statement			
Reconciliation of Net Surplus / (Deficit) on the Income & Expenditure Account to Net Cash Flow from Revenue Activities shown on the Cash Flow Statement			
2006/07 £000		2007/08 £000	£000
5,867	(Surplus) / Deficit on Income & Expenditure Account		13,847
(26)	(Surplus) / Deficit on Collection Fund		585
Adjustments for non-cash transactions			
(11,843)	Amortisation, Depreciation & Impairment of Fixed Assets	(23,095)	
5,261	Amortisation of Deferred Government Grants	7,959	
(6,332)	Deferred Charges written off to services	(8,336)	
(670)	Profit / (Loss) in disposal of fixed assets	(799)	
(3,287)	Net Retirement Benefit Charges (FRS17)	(1,174)	
71	Other Non-Cash Transactions	46	
<u>(16,800)</u>			(25,399)
Items on an accruals basis			
23	Increase / (Decrease) in Stocks & WIP	(5)	
(2,782)	Increase / (Decrease) in Debtors & Payments in Advance	300	
6,097	(Increase) / Decrease in Creditors & Receipts in Advance	(4,097)	
1,230	Other Accruals	2,110	
<u>4,568</u>			(1,692)
Items Identified Elsewhere on the Cash Flow Statement			
(5,484)	Interest Payable	(5,858)	
5,378	Interest Receivable	7,258	
<u>(106)</u>			1,400
<u>(6,497)</u>	NET CASH FLOW FOR REVENUE ACTIVITIES		<u>(11,259)</u>

48.2 – Note 2 to the Cash Flow Statement			
Reconciliation of Movement in Cash to Movement in Net Debt			
		2007/08 £000	£000
	Increase / (Decrease) in cash for the period		(5,437)
	Cash inflow from increase in debt	(2,942)	
	Cash outflow from increase in liquid resources	<u>21,187</u>	
	Change in net debt from cash flows		12,808
	Non-cash changes in net debt		(286)
	Movement in Net Debt in the Period		12,522
	Net Debt at 1 April 2007		(19,558)
	Net Debt at 31 March 2008		<u>(7,036)</u>

Further analysis of these figures is shown in Note 48.3 on Page 89.

Notes to the Core Financial Statements

48.3 – Note 3 to the Cash Flow Statement

Analysis of Changes in Net Debt

	<i>As at 1 April 2007 £000</i>	<i>Cash Movement £000</i>	<i>Non-cash Movement £000</i>	<i>As at 31 March 2008 £000</i>
Bank & Cash in Hand	5,877	(1,827)	0	4,050
Bank Overdraft	(2,621)	(3,610)	0	(6,231)
	<u>3,256</u>	<u>(5,437)</u>	<u>0</u>	<u>(2,181)</u>
Current Asset Investments	90,210	21,187	0	111,397
Temporary Borrowing	(435)	(50)	(30)	(515)
Long Term Borrowing	(112,589)	(2,892)	(256)	(115,737)
TOTAL NET DEBT	<u>(19,558)</u>	<u>12,808</u>	<u>(286)</u>	<u>(7,036)</u>

48.4 – Note 4 to the Cash Flow Statement

Items included within Financing & Liquid Resources on the Cash Flow Statement

	<i>2007/08</i>	
	<i>£000</i>	<i>£000</i>
Financing		
Temporary Borrowing		
- New Temporary Loans Raised	(150)	
- Repayments of Amounts Borrowed	100	
- Non-cash movement	(30)	
	<u>(80)</u>	(80)
Long Term Borrowing		
- New Loans Raised	(5,950)	
- Repayments of Amounts Borrowed	3,044	
- Mortgage Repayments	14	
- Non-cash movement	(256)	
	<u>(3,148)</u>	(3,148)
Liquid Resources		
Short Term Investments		
- New Investments Raised	319,052	
- Investments Repaid	(297,865)	
	<u>21,187</u>	21,187

Notes to the Core Financial Statements

48.5 – Note 5 to the Cash Flow Statement		
Analysis of Government Grants		
2006/07 £000		2007/08 £000 £000
	Corporate Services	
40,710	Housing Benefit Subsidy	43,140
1,393	Housing Benefit Administration	1,556
91	Discretionary Housing Payments	101
10,452	Council Tax Benefit Subsidy	10,590
52,646		55,387
	Housing	
190	Housing Defects	0
40	Homelessness	40
0	Home Energy Efficiency Fund	38
0	Gypsy & Travellers Site Grant	8
230		86
	Children & Young People	
401	Youth Justice Board	541
411	Childrens Services Grant	242
203	CAMHS	207
0	Asylum Seekers	2
93,147	Dedicated Schools Grant	99,681
14,751	Standards Fund	24,498
4,289	School Standards Grant	5,457
30	School Access Fund	35
102	Teenage Pregnancy	102
2,517	General Sure Start	2,973
44	Milk Grant	3
115,895		133,741
	Adult & Social Services	
2,117	Access and Systems	2,193
3,257	Preserved Rights	3,057
634	Carers Grants	729
414	Mental Health / Mental Capacity Act	440
400	Delayed Discharges	408
326	National Training Strategy	329
151	Human Resources Development	152
6,014	Supporting People	6,014
0	Partnerships for Older People Projects	964
0	Preventative technology	205
0	Lifelong Learning	440
156	Other Minor Social Services Grants	34
13,469		14,965
	Development & Environment	
2,976	Crime and Disorder	2,071
1,059	Planning Delivery Grant	352
196	Recycling	0
86	DEFRA Aggregates Levy	100
23	Transport Planning	23
196	DEFRA	0
0	Concessionary Fares	64
0	Road Safety	337
0	Dti - WEEE	58
26	Single Regeneration Budget	0
217	Rural Bus Grant	223
85	Other Minor Development & Environment Grants	133
4,864		3,361
	Local Area Agreement	
0	Pooled Grant	3,223
0	Pump Prime Grant	315
		3,538
0	LABGI	538
187,104	TOTAL GOVERNMENT GRANTS	211,616

Notes to the Collection Fund Account

CF1. Council Tax System

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

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

In order to set the council tax, we must estimate the number of dwellings in each of eight valuation bands and convert these estimates into an "equivalent number of Band D dwellings". The table below shows the calculation for 2007/08.

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	9,405	6/9	6,270
B – £40,001 to £52,000	16,177	7/9	12,582
C – £52,001 to £68,000	17,776	8/9	15,801
D – £68,001 to £88,000	14,046	9/9	14,046
E – £88,001 to £120,000	10,570	11/9	12,919
F – £120,001 to £160,000	5,455	13/9	7,879
G – £160,001 to £320,000	2,973	15/9	4,955
H – over £320,001	195	18/9	390
	<u>76,597</u>		74,842
Allowance for Losses on Collection			(974)
Allowance for New Properties			827
			74,695

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 £1,319.13 per dwelling for 2007/08 (2006/07 - £1,274.76) after taking into account Parish variations and providing a 1.3% provision for unpaid bills (2006/07 – 1.3%).

The actual Council Tax income for 2007/08 was £99,140,100.79, dividing this figure by the "average Band D Tax" results in an actual taxbase of 75,156 dwellings. The difference between this and the total "equivalent Band D dwellings" of 74,695 reflects:

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

Notes to the Collection Fund Account

CF2. National Non-Domestic Rates

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

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

	<i>2006/07</i>	2007/08
Total Non-domestic Rateable Value at 31 March	£118,463,000	£118,593,000
National Non-domestic Rate Multiplier – Standard	43.3p	44.4p
National Non-domestic Rate Multiplier – Small Business	42.6p	44.1p
Gross Potential Yield	£51,240,000	£51,296,000

CF3. Precepts

Precepts shown on the Fund Account are detailed below:

	<i>2006/07</i> <i>£000</i>	2007/08 £000
Avon & Somerset Police Authority	10,123	10,993
Avon Fire Authority	3,755	4,005
North Somerset Council (including Parishes)	79,739	83,534
Total Precepts	93,617	98,532

CF4a. Tax Payers' Arrears

	<i>As at</i> <i>31 March</i> <i>2007</i> <i>£000</i>	<i>As at</i> <i>31 March</i> <i>2008</i> <i>£000</i>
Council Tax Arrears	7,831	6,123
Community Charge Arrears	64	5
Business Rates Arrears	5,190	5,979
Gross Tax Payers' Arrears at 31 March	13,085	12,107
Council Tax Prepayments	(1,350)	(1,183)
Business Rates Prepayments	(1,803)	(1,459)
Total Tax Payers' Prepayments at 31 March	(3,153)	(2,642)
TOTAL NET TAX PAYERS' ARREARS AT 31 MARCH	9,932	9,465

Notes to the Collection Fund Account

CF4b. Provision for Tax Payers' Bad Debts

	<i>2006/07</i>	<i>2007/08</i>	
	<i>£000</i>	<i>£000</i>	<i>% of arrears at 31 March</i>
Council Tax	4,338	3,191	52%
Community Charge	64	5	100%
Business Rates	2,807	3,346	56%
Total Tax Payers' Bad Debt Provision	7,209	6,542	

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

	<i>2006/07</i>	<i>2007/08</i>
	<i>£000</i>	<i>£000</i>
Total prior years' surplus balance divided as follows:	391	(194)
Council tax belonging to North Somerset Council	334	(165)
Council Tax belonging to Precepting Bodies:		
- Avon & Somerset Police Authority	42	(21)
- Avon Fire Authority	15	(8)

Capital Expenditure Summary

Capital Expenditure & Financing 2007/2008								
SERVICE	BUDGET APPROVED (all years)	Spend In 2007/2008	Closing Accruals	TOTAL TO FINANCE	Borrowing	Gov. Grant & Section 106 Receipts Contrib.	Revenue Contrib., Cap Receipts & Revenue Reserves	TOTAL
	£	£	£	£	£	£	£	£
GENERAL FUND								
Children & Young People's	12,186,890	7,939,132	2,568,390	10,507,522	2,692,565	6,654,102	1,160,855	10,507,522
Adult Social Services	1,067,943	838,097	(1,944)	836,153	790,326	35,827	10,000	836,153
Housing General Fund	7,508,306	6,412,904	45,540	6,458,444	4,000	3,012,071	3,442,373	6,458,444
Finance & Resources / Corporate Services	2,019,659	1,647,895	107,505	1,755,400	242,545	0	1,512,855	1,755,400
Development & Environment	14,232,484	11,437,762	1,092,690	12,530,452	2,545,758	7,365,080	2,619,614	12,530,452
TOTAL GENERAL FUND	37,015,282	28,275,790	3,812,181	32,087,971	6,275,194	17,067,080	8,745,697	32,087,971
HOUSING REVENUE ACCOUNT	26,427	0	0	0	0	0	0	0
TOTAL EXPENDITURE	37,041,709	28,275,790	3,812,181	32,087,971	6,275,194	17,067,080	8,745,697	32,087,971

Glossary of Terms and Abbreviations

A

Accounting Period

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

Accruals

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

Actuarial Gains or Losses (Pension Schemes)

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

Amortisation

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

Appointed Auditors

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

Asset

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

Audit of Accounts

An independent examination of the Council's financial affairs.

B

Balance Sheet

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

Billing Authority

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

Budget

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

C

Capital Expenditure

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

Capital Financing

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

Capital Financing Requirement (CFR)

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

Glossary of Terms and Abbreviations

C

Capital Grants & Contributions Deferred

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

Capital Programme

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

Capital Receipts

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

Cash Flow Statement

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

Challenge Funding

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

Collection Fund

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

Community Assets

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

Consistency

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

Contingency

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

Contingent Liability

A contingent liability is either:

- a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events no 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 the Council Tax bill. The cost to authorities of council tax benefit is largely met by government grant.

Glossary of Terms and Abbreviations

C

Creditors

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

Current Assets

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

Current Liabilities

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

Current Service Cost (Pensions)

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

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.

Deferred Charges

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

Deferred Credits

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

Depreciation

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

Direct Revenue Financing (DRF)

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

E

Equity

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

Equity Instrument

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

Exceptional Items

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

Expected Returns on Assets (Pensions)

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

Glossary of Terms and Abbreviations

E

External Audit

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

Extraordinary Items

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

F

Fair Value (FV)

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

Fees and Charges

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

Finance Leases

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

Financial Asset

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

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

Financial Instruments

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

Financial Liability

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

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

Fixed Assets

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

G

General Fund (GF)

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

Glossary of Terms and Abbreviations

G

Government Grants

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

Gross Expenditure

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

Growth

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

H

Housing Benefit (Rent Allowance)

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

Housing Revenue Account

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

I

Impairment

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

Income

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

Income and Expenditure Account

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

Individual Schools Budget

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

Infrastructure Assets

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

Intangible Assets

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

Interest Costs (Pensions)

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

Interest Receivable

The money earned from the investment of surplus cash.

Glossary of Terms and Abbreviations

I

Investment Property

Land and Buildings fixed assets held only for investment potential.

J

Joint Arrangement

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

L

Liability

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

Liquid Resources

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

Local Management in Schools (LMS)

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

Local Public Service Agreement (LPSA)

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

M

Materiality

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

Minimum Revenue Provision (MRP)

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

N

National Non-Domestic Rates (NNDR)

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

Net Book Value (NBV)

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

Net Debt

The Authority's total borrowings less cash investments.

Net Expenditure

Gross expenditure less specific service income.

Glossary of Terms and Abbreviations

N

Non-Operational Assets

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

O

Operating Leases

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

Operational Assets

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

Outturn

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

P

Past Service Costs (Pensions)

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

Pension Fund

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

Post Balance Sheet Events

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

Precept

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

Precepting Authorities

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

Prior Period Adjustments

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

Provisions

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

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.

Glossary of Terms and Abbreviations

P

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.

Related Parties

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

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

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

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

Related Party Transactions

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

Reserves

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

Retirement Benefits

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

Revenue Expenditure

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

Revenue Support Grant (RSG)

The main grant paid by central government to local authorities towards the costs of their services.

Glossary of Terms and Abbreviations

S

Single Regeneration Budget

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

Specific Grants

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

Statement of Movement on the General Fund Balance (SMGFB)

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

Statement of Total Recognised Gains and Losses (STRGL)

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

Supported Borrowing

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

Stocks

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

T

Temporary Borrowing

Money borrowed for a period of less than one year.

Total Cost

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

U

Unsupported (or Prudential) Borrowing

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

W

Work In Progress

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

Glossary of Terms and Abbreviations

Abbreviations used in the Statement of Accounts

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