

Statement of Accounts 2006/07

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Acknowledgements



Thanks go to Capita Business Services Ltd, a strategic partner to Mendip District Council, for the preparation and publication of the Council's Statement of Accounts.

Explanatory Foreword

1 Introduction from the Corporate Financial Advisor

I am pleased to introduce Mendip District Council's Statement of Accounts for 2006/07, which summarises our financial affairs for the year and shows the financial position as at 31 March 2007.

Mendip District Council is a diverse organisation committed to continuous improvement in performance and standards of service. This publication incorporates all the main financial statements and other supporting notes and information to help explain the figures included in these statements.

Mendip councillors approved the accounts on the 28 June 2007. This would not have been possible without the hard work of the finance team employed by Capita - our strategic business support services partner - and the continuing support of all council staff. My thanks go to all those involved in the process.

The commencement of the new business support contract with Capita on 1 July 2005 has ensured that the progress made over recent years in a number of areas will continue. There has been significant investment in financial systems during 2006/07 which has seen the introduction of a new financial management system and an electronic document management system which has increased effectiveness and reduced costs. Also included are systems to support the council's e-government initiative.

2 Review of 2006/07

Amongst the achievements of the year, the following are significant in the impact they make on the council's finances:

- Effective budgetary control has enabled net operating expenditure on services to be contained within budget for the fourth consecutive year.
- Budget monitoring systems have been further improved, and integrated with service plans to secure a robust 3 year Medium Term Resource Strategy.
- The long term partnership agreement with Capita Business Services Ltd produces significant savings as well as over £3million being invested in the council's services. 2006/07 was the first full financial year of the strategic partnership.
- Sound management of the council's investment portfolio has ensured that our debt free status has been maintained.
- During the past year the council has also:
 1. Been awarded £250,000 grant to continue its work on the rejuvenation of Shepton Mallet town centre
 2. Started a new commercial glass recycling service for licensed premises
 3. Won a grant of £50,000 from government to help the council continue its work on homelessness prevention
 4. Started work to considerably improve the parking facilities across the district and completed the final stage of improving the public conveniences for residents and visitors.
 5. Worked with Shepton Mallet Town Council to fully refurbish and reopen the Lido
 6. In September 2006 the 400th affordable home to be built in the district was opened, in Chilcompton.
- The council has won national recognition for services in which it has invested, including:
 1. The cleanest district in the UK

2. Short-listed for a national award on the work we have done on climate change with the Mendip Strategic Partnership
 3. Our strategic leisure services partner, Avalon Leisure Ltd, won awards for some of the best managed facilities in the country
 4. In partnership with Somerset County Council, we won the gold award "best waste partnership" for its work on the SORT IT! recycling service
- The council's external auditors gave an unqualified opinion on the 2005/06 accounts in September 2006.
 - These achievements, and others, have been made by seeking to make efficiency savings and restricting council tax rises. For the three years commencing 2004/05 the council has limited increases to 3% or less. For 2006/07 the increase was 2.9%.

3 Revenue Expenditure and Services Provided

Revenue funding

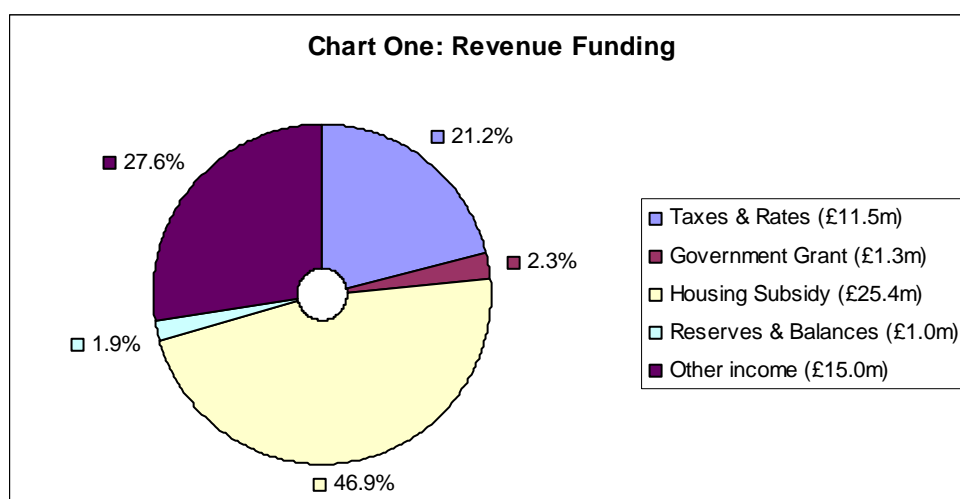
The council's gross revenue (operational day-to-day) spending is funded from various sources, as illustrated in Chart One. Taxes include council tax and non-domestic rates (also known as business rates). Housing subsidy is income from the government in relation to housing benefits and council tax benefits. Other income includes fees and charges for services, interest on investments and bank balances.

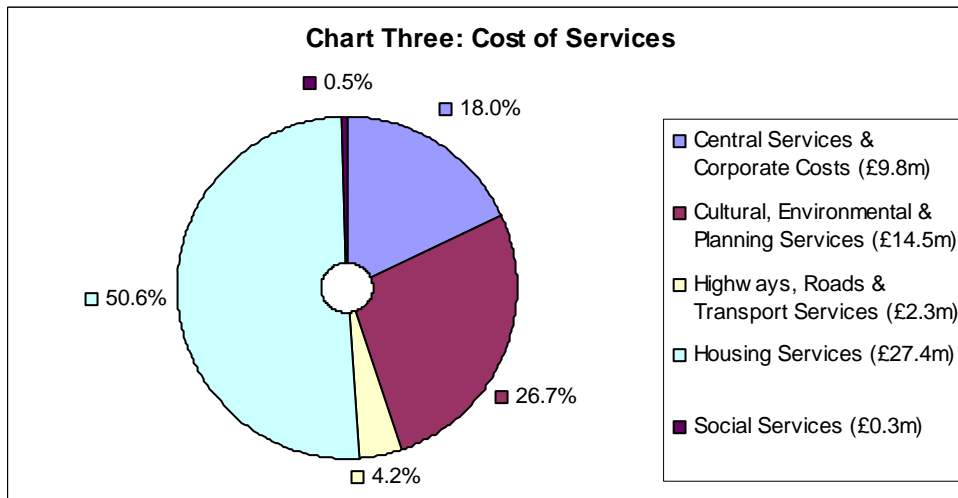
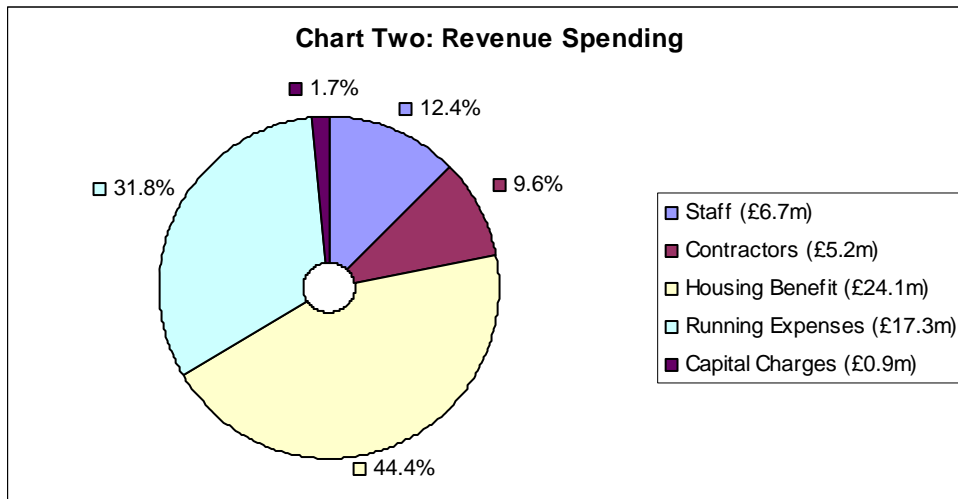
Revenue Expenditure

Chart Two shows the main categories of spending across the council's services. Staff costs include pay, national insurance and pension costs plus other related costs such as recruitment advertising and training. Contractors relates to council services delivered by private companies under contract including waste collection and recycling, grounds maintenance, street cleaning and business support services. Running costs include items such as premises costs, travel and transport, and purchase of supplies and other services. Capital charges relate to the use of capital assets in the delivery of services.

Services Provided

The council provides a range of services to the local community. Chart Three provides an analysis of the gross spending (not including income) in the different service areas.





4 The 2006/07 Budget

The council's revenue budget is spent on delivering the council's services. The allocation of the budget and the actual spending for 2006/07 is set out in the following table.

	Final Budget £'000	Actual £'000	Difference £'000	%
Central services to the public	870	880	10	1%
Cultural, environmental and planning services	11,192	10,818	(374)	-3%
Highways, roads and transport services	(241)	(337)	(96)	40%
Housing services	2,154	1,953	(201)	-9%
Social services	232	235	3	1%
Corporate and central costs	1,221	1,150	(71)	-6%
Other operating costs	1,239	1,027	(212)	-17%
Income from grants and taxation	(14,329)	(14,339)	(10)	0%
Deficit/(surplus) for the year	2,338	1,387	(951)	-41%
Other general fund charges and credits	(1,743)	(1,031)	712	-41%
Decrease in general fund balance for the year	595	356	(239)	-40%

When the budget was set by the council in February 2006, we took account of all known or planned costs facing the council in the forthcoming year. During the year we faced increasing costs in some areas, e.g. gas and electricity, and the cost of providing concessionary fares for

public transport increased dramatically. We realigned our budgets by making savings in other areas in order to help manage the impact. Additionally a number of areas of planned spending have overrun into the next financial year, contributing to an overall underspend on cost of services against the final budget. An explanation of the main variances is given below.

- Local authority business growth incentive grant of £349,000 from central government was announced and received in March 2007. The amount and timing of this grant was uncertain therefore the council did not include it within its budget for the year.
- Car parking income budgets were set on a prudent forecast and total receipts for the year exceeded the expected income by £126,000.
- Interest and investment income exceeded budget by £109,000 due to efficient management of short term cash investments and growth in interest rates.
- Homelessness costs reduced through homeless prevention initiatives and service efficiency.
- Despite savings being identified and funds being reallocated to absorb the sharp increase in concessionary fares costs, the updated budget was still exceeded by £56,000 due to take up levels.
- Due to slippage in various projects and planned spending, and the receipt of income late in the year that was not budgeted, the transfers to earmarked reserves has exceeded budget by £728,000. The expectation is that the majority, if not all, of this sum will be spent during 2007/08.

During the financial year we closely monitor the forecast expenditure and income of the council. The Corporate Management Team (the council's most senior officers) examine areas of likely overspend or underspend and provide to the Cabinet options for action to contain expenditure within budget.

5 Capital investment

In 2006/07 the council spent £3.4m on capital projects. The main areas of investment were

- £0.780m on housing grants
- £0.754m on leisure developments
- £0.644m on acquisition of property for heritage conservation purposes
- £0.335m on public conveniences improvements
- £0.200m on car park improvements
- £0.179m on investment in information technology
- £0.110m on churchyards maintenance

The council is debt-free therefore the main sources of finance for its capital spending are usable capital receipts and government grants. In 2006/07 the council also used other external capital contributions and a small revenue contribution. The council has not needed to borrow external funds.

6 Reserves and Balances

General fund revenue reserves and balances (excluding the Pension Reserve) decreased by £0.6m during 2006/07. The main contributions to and from reserves are shown in the table below.

	General Fund £'000	Earmarked £'000
Reserves opening balance	2,027	1,375
Surplus/(deficit) for the year in the Income and Expenditure Account	(1,387)	0
Net transfers between reserves	(360)	360
Other	1,391	0
Reserves closing balance	1,671	1,735

7 Further Information

Further information about these accounts is available from: Corporate Financial Advisor, Mendip District Council, Council Offices, Cannards Grave Road, Shepton Mallet, Somerset, BA4 4YY. Email: customerservices@mendip.gov.uk

Interested members of the public have the statutory right to inspect the accounts before the audit is completed. For the 2006/07 accounts, the inspection period is 2 July to 27 July 2007. These dates have been advertised in the local press and on the council's website.

Mr P McKenzie
Corporate Financial Advisor

Independent Auditor's Report to Mendip District Council

Opinion on the financial statements

We have audited the financial statements of Mendip District Council for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, The Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Mendip District 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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority or its Members as a body, or our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

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

We report to you our opinion as to whether the financial statements presents fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

We review whether the statement on internal control reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the Statement on Internal Control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent

misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our 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 financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Authority as at 31 March 2007 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 to regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the authority is required to prepare and publish a Best Value Performance Plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities

We are 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 us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention, which prevent us from concluding that the authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We are required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that we have done so;
- stating whether we believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and

- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

We have undertaken our 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, we are not satisfied that in all significant respects, Mendip District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2007 in that it did not put in place:

- arrangements for setting, reviewing and implementing its strategic and operational objectives;
- channels of communication with service users and other stakeholders including partners, and there are monitoring arrangements to ensure that key messages about services are taken into account;
- arrangements to manage its significant business risks;
- arrangements for maintaining a sound system of internal control; and
- arrangements to manage and improve value for money.

Best Value Performance Plan

We issued our statutory report on the audit of the authority's best value performance plan for the financial year 2005/06 in December 2006. We 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

We certify that we 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.

Grant Thornton UK LLP.
10 Queen Square, Bristol, BS1 4NT.

Statement of Accounting Policies

The purpose of this statement is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.

General

The accounts have been prepared in accordance with the Best Value Code of Practice on Local Authority Accounting in the United Kingdom (BVACoP), and the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2006 (SORP 2006) which itself incorporates all relevant accounting standards approved by the Accounting Standards Board (ASB).

Capital receipts

Receipts from sale of assets of £10,000 or less are credited to the revenue account, rather than being set aside to finance capital expenditure, in accordance with the Local Government Act 2003.

Accruals of income and expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as stocks on the balance sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the balance sheet.
- Interest payable on borrowings and receivable on investments is accounted for in the year to which it relates, on a basis that reflects the overall effect of the loan or investment.
- 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. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

Debtors and creditors

The council's accounts are prepared on an income and expenditure basis which means that amounts due to or from the council in respect of that year, even if not physically received or paid at year end, are included in the accounts. Where amounts are not known, estimates have been used, however the value of the estimated amounts is not considered to be significant.

Deferred charges

Deferred charges are payments of a capital nature where no fixed asset to the council is created, the majority of which are grants to third parties. All deferred charges expenditure is written out to revenue as it is incurred.

Fixed assets and depreciation

To bring the valuation of the council's assets in line with the CIPFA recommended practice on capital accounting, a rolling 5-year programme of asset revaluation is undertaken. The bases for evaluation are as follows:

<u>Asset type</u>	<u>Basis</u>
Operational – Non-specialised property	Existing Use Value (EUV)
Operational – Specialised property	Depreciated Replacement Cost (DRC)
Non operational	Open Market Value (MV)

The minimum purchase/construction costs for recognising fixed assets is £10,000 for land and buildings, and £2,000 for vehicles, plant, equipment and furniture. Lower cost items are charged directly to the Income and Expenditure account.

Depreciation is charged to the Income and Expenditure Account for use of fixed assets, based on the net book value of the asset at the start of the financial year divided by the remaining useful life of the asset.

Grants and contributions

Revenue grants received are credited to the revenue accounts according to the purpose for which the grant is made. Capital grants received, towards capital expenditure on assets, are credited to the Grants Deferred account and written off to revenue to match depreciation charges on the assets in question. Where the capital grant relates to an asset which is not depreciated it is written off to the Capital Financing Account in the year of receipt.

Intangible fixed assets

Intangible fixed assets are defined by Financial Reporting Standard 10 (FRS10) as “non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the entity through legal right or custody”. The council capitalises purchased intangible assets (e.g. software licences) at cost, and amortises this cost to the revenue account over the estimated useful life of the asset. Internally developed intangible assets are only capitalised where there is a readily ascertainable market value.

Interest charges

Interest payable on external borrowings and interest receivable are accrued and accounted for in the period to which they relate.

Investments and Borrowing

Following the introduction of the Prudential Code the council has the ability to invest for periods greater than 364 days and has a statutory duty to determine and keep under review how much it can afford to borrow. During 2006/07 the level of borrowing was nil and therefore within the ‘affordable borrowing limit’ of £2m. The investment policy complies with the Department for Communities and Local Government (DCLG) Guidance on Local Government Investments and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance. The council’s priorities are the security of capital and the liquidity of its investments. A maximum limit of £3m applies for investment with any one institution. The council also uses recognised ratings for measuring counterparty creditworthiness. During 2006/07 the option to invest for more than 364 days has not been taken up, and the council continued to employ a specialist cash fund manager (Investec) to manage the majority of its cash surplus.

Leases, covenants and similar schemes

The council has a number of operating leases, the cost of which are charged directly to the appropriate revenue account in accordance with the BVACoP.

Overheads

Costs relating to central support services are allocated in accordance with best practice and through the time-costing system. The bases for these have been agreed by the corporate management team. Attributable and identifiable management and administration costs are allocated direct to services.

Pensions

The council accounts for pension costs in line with FRS17 *Retirement Benefits*. FRS17 requires an authority to see beyond its commitment to pay contributions to the pension fund and to determine the full longer-term effect that the award of retirement benefits in any year has had on the authority's financial position. A net pensions asset indicates that an authority has effectively overpaid contributions relative to the future benefits earned to date by its employees. A net liability shows an effective underpayment. The net assets/liabilities are consolidated into a single figure in the balance sheet.

The following accounting policies have been adopted:

- The attributable assets of the Local Government Pension Scheme are measured at fair value.
- The attributable liabilities are measured on an actuarial basis using the projected unit method.
- Scheme liabilities are discounted at a rate that reflects the time value of money and the characteristics of the liability.
- The surplus/deficit in the scheme is the excess/shortfall of the value of the assets in the scheme over/below the present value of the scheme liabilities.
- The current service cost is based on the most recent actuarial valuation at the beginning of the period, with the financial assumptions updated to reflect conditions at that date.
- The interest cost is based on the discount rate and the present value of the scheme liabilities at the beginning of the period.
- The expected return on assets is based on long-term expectations at the beginning of the period and is expected to be reasonably stable.
- Actuarial gains and losses may arise from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date.
- Past service costs are disclosed on a straight-line basis over the period in which the increases in benefits vest.
- Losses arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which the employer becomes demonstrably committed to the transaction. Gains arising from settlements/curtailments not allowed for in the actuarial assumptions should be measured at the date on which all parties whose consent is required are irrevocably committed to the transaction.

In assessing liabilities for retirement benefits, the discount rate used is the 'current rate of return on a high quality corporate bond of equivalent currency and term to the Scheme liabilities' which is often referred to as "AA Corporate Bond Rates". The other financial assumptions underlying the calculation also changed during the year (see Note 27 to the Core Financial Statements on page 29). The demographic assumptions are consistent with those used for the 2004 valuation, as in the previous year. It is also assumed that 50% of members will commute the maximum amount of pension possible. This led to a lower value being placed on liabilities at the year end than at the beginning of the year resulting in a gain.

The Annual Report of the Somerset County Council Superannuation Fund is available from Somerset County Council, County Hall, Taunton, TA1 4DY.

Provisions and reserves

The council makes provision within its revenue accounts for any liabilities or losses that are likely to be incurred, or certain to be incurred, but uncertain as to the amounts or dates on which they will arise. All

other sums set aside by the council are classified as reserves. Expenditure is not charged directly to these reserves. All charges are made to the revenue accounts and transfers made from reserves to meet them.

The Statement of Responsibilities for the Statement of Accounts

This statement sets out the respective responsibilities of the council and the chief financial officer for the accounts.

The Council's Responsibilities

The council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Mendip that officer is the Corporate Financial Advisor;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Corporate Financial Advisor's Responsibilities

The Corporate Financial Advisor is responsible for the preparation of the council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the 'Code of Practice').

In preparing the Statement of Accounts, the Corporate Financial Advisor has:

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

The Corporate Financial Advisor has also:

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

Declaration by the Corporate Financial Advisor

I certify that this Statement of Accounts presents fairly the financial position of the council at 31 March 2007 and its income and expenditure for the year ended 31 March 2007.



Mr P McKenzie
Corporate Financial Advisor
24 September 2007

Income and Expenditure Account For The Year Ended 31 March 2007

This account summarises the resources that have been generated and consumed in providing services and managing the council during the 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.

2005/06 Re-stated £'000		Note	2006/07 Expenditure £'000	2006/07 Income £'000	2006/07 Net Cost £'000
829	Central services to the public	1	1,626	(746)	880
10,205	Cultural, environmental & planning services	1	14,472	(3,654)	10,818
(511)	Highways, roads and transport services	1	2,268	(2,605)	(337)
3,471	Housing services	1	27,449	(25,496)	1,953
166	Social services	1	251	(16)	235
758	Corporate and democratic core	1	8,188	(7,040)	1,148
83	Non distributed costs	1	2	0	2
15,001	Net Cost of Services	1	54,256	(39,557)	14,699
(273)	(Profit)/Loss on disposal of fixed assets				62
1,478	Parish council precepts				1,560
22	Interest payable and similar charges				21
29	Debt management expenses				31
15	Contribution of housing capital receipts to Government Pool				64
(960)	Interest and investment income				(902)
360	Pensions interest cost and expected return on pensions assets				191
15,672	Net Operating Expenditure				15,726
(6,278)	Demand on the Collection Fund				(6,537)
(95)	Collection Fund surplus				(83)
(3,789)	Revenue Support Grant				(1,269)
(3,057)	Contribution from Non-Domestic Rate Pool				(6,450)
2,453	Deficit for the year				1,387

Statement of Movement on the General Fund Balance

The income and expenditure account shows the council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than council tax.
- Retirement benefits are charged as amounts become payable to the pension funds and pensioners, rather than as future benefits earned.

The general fund balance compares the council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

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

2005/06 £'000		Note	2006/07 £'000
2,453	Deficit for the year on the Income and Expenditure Account		1,387
(2,670)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the general fund balance for the year	10	(1,031)
(217)	(Increase)/decrease in general fund balance for the Year		356
(1,810)	General Fund Balance brought forward		(2,027)
(2,027)	General Fund Balance carried forward		(1,671)

Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the council for the year and shows the aggregate increase in its net worth. In addition to the surplus/deficit 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.

2005/06 £'000		Note	2006/07 £'000
2,757	Deficit for the year on the Income and Expenditure Account		1,387
(1,110)	Surplus arising on revaluation of fixed assets	24	(941)
(650)	Actuarial (gains)/losses on pension fund assets and liabilities	26	(3,406)
(782)	Any other gains and losses for the year		264
215	Total recognised (gains)/losses for the year		(2,696)
0	Prior year adjustment		0
215	Total recognised (gains)/losses since the last annual report		(2,696)

Balance Sheet As At 31 March 2007

This statement summarises the council's financial position at the end of the financial year. It shows the council's assets and liabilities accrued in its business with the outside world. This is balanced with the net worth of the council comprising balances and reserves at the council's disposal, unrealised gains and losses and adjustment accounts.

31/03/2006 £'000		Note	31/03/2007 £'000	31/03/2007 £'000
100	Intangible fixed assets	11-17		139
	Tangible fixed assets			
	Operational assets			
13,135	land and buildings	11-17		14,755
1,108	vehicles, plant and equipment	11-17		1,101
235	infrastructure assets	11-17		411
321	community assets	11-17		314
	Non-operational assets			
806	investment properties	11-17		711
0	assets under construction	11-17		10
420	surplus assets held for disposal	11-17		131
<u>16,125</u>	Total fixed assets			<u>17,572</u>
729	Long term debtors			603
<u>16,854</u>	Total long-term assets			<u>18,175</u>
	Current assets			
4,478	Debtors	19	6,639	
	Bad debt provision	19	(2,629)	
13,625	Investments	20	11,336	
180	Cash and bank		198	15,544
<u>35,137</u>	Total assets			<u>33,719</u>
	Current liabilities			
(510)	Bank overdraft		(565)	
(5,997)	Creditors	21	(4,135)	
(10)	Borrowing repayable within twelve months		(10)	(4,710)
<u>28,620</u>	Total assets less current liabilities			<u>29,009</u>
	Long-term liabilities			
(306)	Borrowing repayable after twelve months	22		(296)
(150)	Provisions	23		(640)
(656)	Deferred income			(784)
(856)	Government grants and capital contributions deferred			(1,188)
(13,528)	Liability related to defined benefit pension scheme	27		(10,280)
<u>13,124</u>	Total assets less liabilities			<u>15,821</u>
	Financed by:			
(35,638)	Fixed asset restatement account	25		(35,630)
50,962	Capital financing account	25		51,981
7,017	Usable capital receipts reserve	25		6,341
554	Deferred credits			474
(13,528)	Pensions reserve	27		(10,280)
2,027	General fund balances			1,671
355	Collection fund balance			(471)
1,375	Earmarked reserves	25		1,735
<u>13,124</u>				<u>15,821</u>

Mr P McKenzie
Corporate Financial Advisor



24 September 2007

Cash Flow Statement

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

2005/06 £'000		Note	2006/07 £'000	2006/07 £'000
	Revenue activities			
	Cash outflows			
7,509	Cash paid to and on behalf of employees		6,900	
18,781	Other operating costs		20,265	
22,278	Housing benefit paid out		24,384	
19,743	Non-domestic rate payments to national pool		22,971	
42,921	Precepts paid		45,299	119,819
	Cash inflows			
(42,895)	Council tax income		(45,215)	
(3,057)	Non-domestic rate receipts from national pool		(6,450)	
(21,715)	Non-domestic rate receipts		(21,493)	
(3,789)	Revenue support grant		(1,269)	
(25,195)	DWP grants for rebates		(24,195)	
(1,679)	Other government grants	31	(1,059)	
(13,213)	Cash received for goods and services		(12,165)	
(804)	Other operating cash receipts		(4,681)	(116,527)
(1,115)		28		3,292
	Returns on investments and servicing of finance			
	Cash outflows			
22	Interest paid		21	
	Cash inflows			
(883)	Interest received		(326)	(305)
(861)				
	Capital activities			
	Cash outflows			
1,345	Purchase and enhancement of fixed assets		1,957	
2,142	Other capital cash payments		1,139	
	Cash inflows			
(365)	Sale of fixed assets		(372)	
(517)	Capital grants received		(1,377)	
(880)	Other capital cash receipts		(1,467)	(120)
1,725				2,867
(251)	Net cash (inflow)/outflow before financing			
	Management of liquid resources			
339	Net increase/decrease in short term deposits	29	(2,840)	(2,840)
339				
	Financing			
	Cash outflows			
9	Repayment of amounts borrowed	30	10	10
9				37
97	(Increase)/decrease in cash and cash equivalents	31		

Notes to the Core Financial Statements

1 Analysis of service costs

2005/06 Re-stated £'000		2006/07 Expenditure £'000	2006/07 Income £'000	2006/07 Net Cost £'000
Central Services				
603	Local tax collection	798	(289)	509
129	Elections	215	(17)	198
(256)	Local Land Charges	181	(440)	(259)
353	Grants	432	0	432
829		1,626	(746)	880
Cultural, Environmental & Planning Services				
<i>Cultural and Related Services</i>				
78	Cultural and heritage	141	0	141
1,316	Recreation and sport	1,933	(105)	1,828
885	Open spaces	1,266	(137)	1,129
238	Tourism	233	(3)	230
<i>Environmental Services</i>				
(18)	Cemeteries	160	(55)	105
2,002	Environmental health	1,772	(321)	1,451
192	Community safety	427	(94)	333
104	Flood defence and land drainage	143	(1)	142
626	Street cleaning	804	(1)	803
1,606	Waste collection	1,377	(20)	1,357
1,202	Waste disposal	1,843	(471)	1,372
<i>Planning and Development Services</i>				
200	Building control	637	(478)	159
973	Development control	1,814	(1,055)	759
470	Planning policy	681	(126)	555
66	Environmental initiatives	111	(18)	93
265	Economic development	1,130	(769)	361
10,205		14,472	(3,654)	10,818
Highways, Roads and Transport Services				
20	Traffic management and road safety	38	(29)	9
(729)	Parking services	1,466	(2,576)	(1,110)
198	Public transport	764	0	764
(511)		2,268	(2,605)	(337)
Housing Services				
647	Private sector housing renewal	188	0	188
1,068	Homelessness	1,241	(47)	1,194
(268)	Housing benefit payments	24,315	(24,499)	(184)
136	Housing benefit administration	965	(903)	62
1,888	Housing management and support services	740	(47)	693
3,471		27,449	(25,496)	1,953
Social Services				
166	Equipment and adaptations	251	(16)	235
166		251	(16)	235
Corporate and Democratic Core				
458	Democratic Representation and Management	472	(24)	448
300	Corporate Management	7,716	(7,016)	700
758		8,188	(7,040)	1,148
83	Non Distributed Costs	2	0	2
15,001	Net Cost of Services	54,256	(39,557)	14,699

2 Explanation of prior period adjustments

In the 2006/07 Statement of Accounts, the council has adopted three significant new accounting policies that impact on the comparative figures for 2005/06 in the Income and Expenditure Account:

- Capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts
- Credits for government grants and capital contributions deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate income item
- Gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Account.

These changes have had the following impact on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts (only figures that have changed are included in the table):

	Consolidated Revenue Account in 2005/06 Statement of Accounts £'000	Removal of capital financing charges £'000	Relocation of government grants and capital contributions deferred credits £'000	Recognition of gains and losses on disposal of fixed assets £'000	2005/06 comparatives in Income and Expenditure Account £'000
Cultural, environmental and planning services	10,664	(346)	(113)		10,205
Highways, roads and transport services	(431)	(80)	0		(511)
Housing services	3,922	(2)	(449)		3,471
Corporate and democratic core	990	(87)	(145)		758
Impact on Net Cost of Services	15,145	(515)	(707)	0	13,923
Profit on disposal of fixed assets				(273)	(273)
Asset Management revenue account (Interest payable and similar charges in 2006/07)		515	707		1,222
Impact on Net Operating Expenditure	15,145	0	0	(273)	14,872

3 Undischarged obligations arising from long-term contracts

The council is committed to making payments under contracts with several contractors that provide services to or on behalf of the council. The following table provides an estimate of the committed expenditure in 2007/08 for the major current contracts (£0.25m and above).

Service	Contractor	Estimated committed payments under contract in 2007/08	Contract expires
Business support services	Capita Business Services Ltd	£2.82m	2017/18
Street cleansing	Connaught Environmental Ltd	£0.64m	2013/14
Waste collection	Cleanaway Ltd	£0.67m	2007/08
Major leisure centres management	Western Community Leisure Ltd	£0.57m	2013/14
Waste recycling	ECT Recycling	£0.58m	2007/08
Groundcare Services	Quadron Services Ltd	£0.69m	2009/10

4 Expenditure on publicity

Set out below, under the requirements of Section 5 of the Local Government Act 1986, is the council's spending on publicity.

	2005/06 £'000	2006/07 £'000
Recruitment advertising	69	51
Other advertising	66	33
Publicity and promotions	118	128
	<u>253</u>	<u>212</u>

5 The Building Control Account

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. The council sets charges for work carried out in relation to building regulations, with the aim of covering all costs incurred. However, there are certain activities performed by the building control service for which a charge cannot be made, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control service divided between chargeable and non-chargeable activities.

Building Control Trading Account 2006/07

	Chargeable £'000	Non-chargeable £'000	Total Building Control £'000
Employee expenses	248	88	336
Premises	0	0	0
Transport	23	4	27
Supplies and services	65	0	65
Central and support service charges	141	62	203
Total expenditure	<u>477</u>	<u>154</u>	<u>631</u>
Building regulation charges	(470)	0	(470)
Miscellaneous income			
Total Income	<u>(470)</u>	<u>0</u>	<u>(470)</u>
(Surplus)/deficit for the year	<u>7</u>	<u>154</u>	<u>161</u>
Comparatives for 2005/06			
Expenditure	503	150	653
Income	(453)	0	(453)
(Surplus)/deficit for the year	<u>50</u>	<u>150</u>	<u>200</u>

6 Members' allowances

The total amount paid by the council to its elected Members during the year, in respect of conference, travel and attendance allowances, was £242,300.

7 *Employees' pay*

The council is required to show the number of staff that has been paid more than £50,000 within the financial year. This is shown in the table below. Pay includes salary less employee pension contributions, taxable travel and other expenses, and non-taxable payments when employment ends.

Total pay for the year	No. of Employees	
	2005/06	2006/07
£50,000 to £59,999	4	3
£60,000 to £69,999	1	3
£70,000 to £79,999	0	0
£80,000 to £89,999	1	0
£90,000 to £99,999	0	1
£100,000 to £109,999	0	1

8 *Material transactions with related parties*

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

Central government 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 (e.g. housing benefits).

Members of the Council have direct control over the council's financial and operating policies. The council maintains a register of members' interests and requires each member to complete a questionnaire with details of any material transactions, or to confirm that no such transactions have taken place, with any related parties during the year. During 2006/07 one councillor declared they owned shares in Capita Business Services Ltd as part of their declaration of interest.

Assisted organisations: two members of the council held places on the Board of Mendip Care & Repair Ltd (home improvement agency) with full voting rights. The council provided financial assistance to Mendip Care & Repair Ltd in the form of grants and two seconded staff at a cost of £100,000.

9 *Audit costs*

The council has incurred the following fees relating to external audit and inspection.

	2005/06	2006/07
	£'000	£'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	119	101
Fees payable to the Audit Commission in respect of statutory inspection	11	18
Fees payable to the Audit Commission for the certification of grant claims and returns	20	23
Fees payable in respect of other services provided by the appointed auditor	0	0

10 Breakdown of reconciling items in the Statement of Movement on the General Fund Balances

2005/06 £'000	Note	2006/07 £'000	2006/07 £'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			
(8)	Amortisation of intangible assets	(38)	
(990)	Depreciation and impairment of fixed assets	(1,017)	
707	Government grants deferred amortisation	1,003	
(2,090)	Writedowns of deferred charges to be financed from capital resources	(885)	
274	Net profit/(loss) on sale of fixed assets	(53)	
(1,153)	Net charges made for retirement benefits in accordance with FRS17	(1,112)	
<u>(3,260)</u>			(2,102)
Amounts not included in the Income and Expenditure Account but required to be included when determining the Movement on the General Fund Balance for the year			
29	Minimum revenue provision for capital financing	36	
78	Capital expenditure charged in year to the General Fund Balance	128	
(342)	Other capital financing adjustment	(343)	
(15)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(64)	
824	Employer's contributions payable to the Local Government Pension Fund	954	
<u>574</u>			711
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			
15	Net transfer to/(from) earmarked reserves	360	
<u>15</u>			360
<u>(2,671)</u>	Net additional amount required to be credited to the General Fund Balance for the year		<u>(1,031)</u>

11 Summary of capital expenditure and fixed asset disposals

Movement on intangible fixed assets

	Purchased software licences £'000
Original cost	115
Amortisations to 31 March 2006	(15)
Balance at 1 April 2006	<u>100</u>
Expenditure in Year	78
Written off to revenue in year	(39)
Net book value at 31 March 2007	<u>139</u>

Movement on operational fixed assets

	Land & buildings £'000	Vehicles & equipment £'000	Infras- tructure £'000	Comm -unity £'000	Total £'000
Certified valuation at 31 March 2006	14,963	2,702	500	358	18,523
Accumulated depreciation and impairment	(1,827)	(1,594)	(265)	(38)	(3,724)
Net book value at 31 March 2006	13,136	1,108	235	320	14,799
Adjustments for Reclassified Assets during the year					
Gross book value	(8)	0	(6)	(14)	(28)
Accumulated depreciation	(1)	0	1	1	1
Write off Accumulated Depreciation on Revalued and Disposed Assets					
Gross book value	(837)	(26)	0	(1)	(864)
Accumulated depreciation	837	26	0	1	864
Adjusted Net book value at 31 March 2006	13,127	1,108	230	307	14,772
Additions	1,160	363	226	21	1,770
Disposals	(17)	0	0	0	(17)
Revaluations	1,091	0	0	2	1,093
Depreciation	(606)	(370)	(45)	(16)	(1,037)
Impairments	0	0	0	0	0
Net book value at 31 March 2007	14,755	1,101	411	314	16,581
Certified valuation at 31 March 2007	16,352	3,039	720	366	20,477
Accumulated depreciation and impairment	(1,597)	(1,938)	(309)	(52)	(3,896)
Net book value at 31 March 2007	14,755	1,101	411	314	16,581

In line with recommended practice, the accumulated depreciation and impairment has been written-off for assets that have been revalued during the year. This results in the carrying 'gross book value' matching the certified valuation, upon which future depreciation is calculated over the re-evaluated remaining useful life of the asset. The only disposal of operational assets during the year was the sale of car park land at Regal Road, Shepton Mallet.

Movement on non-operational fixed assets

	Investment Properties £'000	Under Construction £'000	Surplus Assets £'000	Total £'000
Certified valuation at 31 March 2006	825	0	420	1,245
Accumulated depreciation and impairment	(19)	0	0	(19)
Net book value at 31 March 2006	806	0	420	1,226
Write off Accumulated Depreciation on Revalued/Disposed Assets				
Gross book value	0	6	22	28
Accumulated depreciation	0	(1)	0	(1)
Adjusted Net book value at 31 March 2006	806	5	442	1,253
Additions	643	5	0	648
Disposals	(717)	0	(199)	(916)
Revaluations	(40)	0	(112)	(152)
Depreciation	19	0	0	19
Impairments	0	0	0	0
Net book value at 31 March 2007	711	10	131	852
Certified valuation at 31 March 2007	711	11	131	853
Accumulated depreciation and impairment	0	(1)	0	(1)
Net book value at 31 March 2007	711	10	131	852

Summary of capital expenditure and sources of finance

The following table summarises the total amount invested on capital expenditure and how this has been paid for.

	2005/06 £'000	2006/07 £'000
Opening Capital Financing Requirement	737	899
<i>Capital investment</i>		
Intangible fixed assets	92	78
Operational assets	616	1,768
Non-operational assets	4	648
Deferred charges	2,090	885
Commutation adjustment	342	343
<i>Sources of finance</i>		
Capital receipts	(2,360)	(2,126)
Government grants and other contributions	(515)	(1,468)
Direct revenue financing	(78)	(128)
Provision for the repayment of debt	(29)	(36)
Closing Capital Financing Requirement	899	863
<i>Explanation of movements in year</i>		
Increase/(decrease) in underlying need to borrow (supported by Government financial assistance)	162	(36)
Increase/(decrease) in Capital Financing Requirement	162	(36)

12 Commitments under capital contracts

The only contractual commitment as at 31 March 2007 is retentions in respect of the refurbishment of Shepton Mallet outdoor pool and improvements to public conveniences. These together total less than £35,000.

13 Assets held by the council

The fixed assets held by the council include off-street car parks, public conveniences, sport centres and swimming pools, cemeteries, and the council offices. The main additions during 2006/07 relate to enhancements to the information technology systems and infrastructure used in the delivery of services, new public conveniences, plus expenditure on the improvement of car parks, footpaths and bridleways.

14 Assets held under leases

The council operates a leased car fleet under contract hire agreements, the terms of which classify them as operating leases. There are also operating leases in respect of vending machines.

	£'000
2006/07 operating lease actual expenditure	88
2007/08 operating lease commitments	55
2008/09 and later years operating lease commitments	59

15 Assets held for leases

The council owns a number of fixed assets that are leased to other bodies. The majority of these have a relatively small net book value and return a modest or 'peppercorn' rental income for the council. The following assets have a more significant financial impact:

- Park Cottage in Wells is valued at £475,000 in the balance sheet, and annual rental income is £10,000
- Shepton Mallet Football Club and Sports Field is valued at £51,000 with annual rental income of £15,000
- Bishops Barn in Wells is valued at £87,000 with a variable rental income depending on gross receipts at the facility
- Wells Cinema is valued at £55,000 and provides annual rental income of £6,500
- Wells sports ground has a nil value in the balance sheet with annual rental income of £5,000.

16 Valuation information

In 2000/01 a sample - representing 79% by value of the assets - had been valued by chartered surveyors Lambert Smith Hampton. In March 2002 the remaining land & building and non-operational assets were valued by chartered surveyors Crispin West. Since then a 5-year rolling programme for the professional revaluation of fixed assets by qualified chartered surveyors has been applied. This programme is being operated on a geographical basis so that assets in each of the major towns (and surrounding areas) are re-valued every five years. The following valuations have all been undertaken by Alder King Property Consultants:

- February 2003 – Glastonbury
- July 2003 – Wells
- July 2004 – Shepton Mallet
- July 2005 – Frome
- July 2006 – Street

The basis for valuation is set out in the statement of accounting policies. The following table shows the progress of the council's revaluation programme.

Valued at:	Intangible assets £'000	Other land & buildings £'000	Vehicles & equipment £'000	Infrastruc- ture assets £'000	Community assets £'000	Non-Operational £'000	Total Assets £'000
Historic Cost	139	0	1,101	411	0	0	1,651
Current Value							
2006/07	0	3,113	0	0	45	29	3,187
2005/06	0	4,290	0	0	112	212	4,614
2004/05	0	3,452	0	0	34	80	3,566
2003/04	0	3,605	0	0	87	530	4,222
2002/03 & earlier	0	295	0	0	36	1	332
Total	139	14,755	1,101	411	314	852	17,572

17 Information about depreciation

The council employs the straight-line method of depreciation for all assets, which depreciates the value over the remaining useful life of the asset. The expected useful life applied to different types of assets is normally as follows:

<i>Asset Type</i>	<i>Period (Years)</i>	<i>Asset Type</i>	<i>Period (Years)</i>
Land and buildings	20	Vehicles	5
IT Equipment	3	CCTV hardware	5

18 Net assets

The net assets employed as at 31 March 2007 are wholly applicable to the general fund.

19 Analysis of debtors and bad debt provision

	31/03/2006	31/03/2007
	£'000	£'000
Sundry customers	228	1,590
Council tax and non-domestic rate debtors	2,466	2,885
Housing benefit debtors	471	766
Government departments	344	468
Other debtors	2,597	930
Bad debt provision	(1,628)	(2,629)
	<u>4,478</u>	<u>4,010</u>

20 Analysis of investments

	31/03/2007
	£'000
Investec Asset Management	10,783
DEPFA Bank	550
Bank of Scotland	3
	<u>11,336</u>

21 Analysis of creditors

	31/03/2006	31/03/2007
	£'000	£'000
Sundry suppliers	42	449
Council tax and non-domestic rates prepaid	1,090	1,093
Government departments	2,222	233
Other creditors	2,643	2,360
	<u>5,997</u>	<u>4,135</u>

22 Analysis of borrowing repayable in excess of 12 months

	2005/06	2006/07
	£'000	£'000
Analysis of loans outstanding by source		
Other Local Authorities	266	256
Other Lenders	40	40
	<u>306</u>	<u>296</u>
Analysis of loans by maturity		
Maturing in 1 - 2 years	10	11
Maturing in 2 - 5 years	33	33
Maturing in 5 - 10 years	66	68
Maturing in more than 10 years	197	184
	<u>306</u>	<u>296</u>

23 Provisions

A provision of £150,000 was brought forward in relation to a charge from Mendip Housing Limited for repairs and maintenance of sewage treatment works/sewers/drains for the period up to 31 March 2006. This provision was used towards total payments of £303,000 made to MHL during 2006/07, covering the period April 2003 to December 2006. See also details of related contingent liability in Note 24 below.

An additional provision of £640,000 has been set aside during 2006/07 in relation to the purchase consideration for Bend Cottage (Malthouse) in Norton St Phillip. This property was acquired under a Compulsory Purchase Order this year, with the purchase consideration being set at a value that could subsequently be achieved at auction. The council is liable to pay this value, less cost of disposal, to the vendor. The final settlement amount to be paid to the vendor is not yet confirmed.

24 Contingent liabilities and contingent assets

The council has agreed to indemnify Mendip Housing Limited (MHL) for up to £2.4m over a 30 year period, from March 2001, of reasonable costs for repairs and maintenance of sewage treatment works/sewers/drains, over and above the provision made in their own business plan. The council has so far paid £0.3m to MHL (see note 23 above) in this regard reducing the contingent liability to a maximum £2.1m. There will be no further liability should MHL cover the costs of repairs, maintenance or other works mentioned within the provision made in their own business plan and it is not possible to identify the value or timing of any contributions the council may have to make if MHL costs exceed the provision they have made. The figure set out above is the maximum liability the council may incur should any contribution be necessary.

25 Movement on reserves

The council keeps a number of reserves in the balance sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

Reserve	Balance 1 April 2006 £'000	Net Movement In Year £'000	Balance 31 March 2007 £'000	Purpose of Reserve	Further Detail Of Movements
Fixed asset restatement account	35,638	(8)	35,630	Store of gains on revaluation of fixed assets	below
Capital financing account	(50,962)	(1,019)	(51,981)	Store of capital resources set aside to meet past expenditure	below
Usable capital receipts	(7,017)	676	(6,341)	Proceeds of fixed asset sales available to meet future capital investment	below
Pensions reserve	13,528	(3,248)	10,280	Balancing account to allow inclusion of Pensions Liability in the balance sheet	Note 27 to the Core Financial Statements, page 29
General fund	(2,027)	356	(1,671)	Resources available to meet future running costs for council services	Statement of Movement on the General Fund Balance, page 13
Collection fund	(355)	826	471	Surplus or deficit on collection of council tax	Collection Fund statement, page 33
Earmarked reserves	(1,375)	(360)	(1,735)	Resources set aside for specific future spending needs	below
Total	(12,570)	(2,777)	(15,347)		

Fixed Asset Restatement Account

The fixed asset restatement account provides for assets which are restated upon either revaluation or disposal.

	2005/06 £'000	2006/07 £'000
<i>Movements in unrealised value of fixed assets</i>		
Gains/(losses) on revaluation of fixed assets in year	1,110	941
Total increase/(decrease) in unrealised capital resources in the year	1,110	941
<i>Value of assets sold, disposed or decommissioned</i>		
Amounts written off fixed asset balances for disposals in year	(30)	(933)
Total movement on reserve	1,080	8
Balance brought forward at 1 April	(36,718)	(35,638)
Balance carried forward at 31 March	(35,638)	(35,630)

Capital Financing Account

The capital financing account provides a balancing mechanism between the rate at which assets are depreciated and the rate at which they are financed through the capital controls system.

Government grants and capital contributions deferred relate to grants and contributions received by the Authority towards the financing of capital investment. Such grants and contributions are credited to revenue over the expected useful life of the asset.

The table on the next page provides an analysis of the movement in amounts used to finance capital expenditure incurred by the council.

	2005/06 £'000	2006/07 £'000
Capital receipts set aside to finance capital investment		
Usable capital receipts used	2,360	2,136
Total capital receipts used	2,360	2,136
Revenue resources		
Capital expenditure financed from revenue	78	128
Minimum revenue provision for debt repayment	30	36
Reconciling appropriation to revenue account	(2,723)	(1,281)
Total revenue resources set aside	(2,615)	(1,117)
Total movement on reserve	(255)	1,019
Balance brought forward at 1 April	51,217	50,962
Balance carried forward at 31 March	50,962	51,981

Usable Capital Receipts

The council has received income from the sale of fixed assets which has been set aside for the purposes of funding future capital investment.

	2005/06 £'000	2006/07 £'000
Amounts receivable during the year	1,090	1,524
Amounts transferred to general fund to offset HRA Pool contribution	(15)	(64)
Amounts applied to finance capital investment	(2,360)	(2,136)
Total increase/(decrease) in realised capital resources	(1,285)	(676)
Balance brought forward at 1 April	8,302	7,017
Balance carried forward at 31 March	7,017	6,341

Earmarked Reserves

The council has set aside specific reserves in relation to committed or planned future expenditure on specific services and projects. The following table provides a summary.

	Balance 31/03/2006 £'000	Transfers To Reserves £'000	Transfers From Reserves £'000	Balance 31/03/2007 £'000
<i>Revenue</i>				
Economic Strategic Development funds	351	417	(158)	610
Leisure Centre maintenance programme	185	55		240
Grants	110	100	(150)	60
Information technology developments	85	147	(42)	190
Local Development Framework	75		(25)	50
Premises and other asset maintenance	74	22	(74)	22
Match funding	61			61
Staff travel cost restructuring	59		(24)	35
Economic regeneration and tourism	55	20	(55)	20
Commutation smoothing reserve	55	45		100
Somerset Direct Project	35		(35)	0
Corporate strategic development projects	25	25	(25)	25
Public conveniences contract smoothing	20	20		40
Other Reserves (individually less than £20,000)	85	127	(113)	99
External assessment and consultation	0	66	(23)	43
Area Regeneration projects	0	40		40
<i>Capital</i>				
Cemeteries	100			100
	1,375	1,084	(724)	1,735

26 Events after the balance sheet date

There have not been any events after the balance sheet date that materially affects the financial position of the council.

27 Retirement benefits

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

The council's contribution rate during 2006/07 was 265% of members' contributions. The certified contribution rates for the council at the 31 March 2004 valuation of assets and liabilities in the pension fund are as follows.

April 2004 to March 2005	265% of members' contributions
April 2005 to March 2006	265% of members' contributions
April 2006 to March 2007	265% of members' contributions

These figures include the past service element of the contribution rate.

We recognise the cost of retirement benefits in Net Cost of Services within the Income and Expenditure Account 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. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year.

	2005/06 £000	2006/07 £000
Income and Expenditure Account		
Net cost of services		
current service costs	710	919
past service costs	83	2
Net operating expenditure		
interest cost	1,780	1,833
expected return on assets in the scheme	(1,420)	(1,642)
Net charge to the Income and Expenditure Account	1,153	1,112
Statement of Movement in the General Fund Balance		
reversal of net charges made for retirement benefits in accordance with FRS17	(1,153)	(1,112)
Actual amount charged against the General Fund Balance for pensions in the year		
employers' contributions payable to the scheme	824	954

The underlying assets and liabilities for retirement benefits attributable to Mendip District Council at 31 March 2007 are as follows:

	31/03/2006 £m	31/03/2007 £m
Estimated share of assets in the scheme	24.22	26.95
Estimated funded liabilities	(35.34)	(35.19)
Estimated unfunded liabilities	(2.41)	(2.04)
Net liability	(13.53)	(10.28)

The liabilities show the underlying commitments that the council has in the long-run to pay retirement benefits. The total liability of £10.28m has a substantial impact (-39.3%) on the net worth of the council as recorded in the balance sheet, reducing the positive overall balance to £15.88m. However, statutory arrangements for funding the deficit mean that the financial position for the council remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuaries. Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Somerset County Council Pension Fund liabilities have been assessed by Barnett Waddingham LLP, an independent firm of actuaries, with the estimates for the Fund being based on the results of the Triennial Actuarial Valuation as at 31 March 2004 which was carried out for funding purposes. The principal assumptions used by the independent qualified actuaries in updating the latest valuations of the Fund for FRS17 purposes are provided in the following table.

	31/03/2005 %pa	31/03/2006 %pa	31/03/2007 %pa
Financial assumptions			
Price increases	2.9%	3.0%	3.3%
Salary increases	4.4%	4.5%	4.8%
Pension increases	2.9%	3.0%	3.3%
Discount rate for scheme liabilities	5.3%	4.9%	5.4%
Long-term expected rates of return on assets			
Equities	7.7%	7.3%	7.2%
Gilts	4.7%	4.3%	4.6%
Other bonds	5.3%	4.9%	5.4%
Property	6.7%	6.3%	6.2%
Cash	4.8%	4.6%	5.0%
Average long-term expected rates of return	7.2%	6.8%	6.7%

The market value of the assets of the Somerset County Council Pension Fund at 31 March 2007 was £1,112.81m (31 March 2006 = £968.54m). The proportions of total assets held in each asset type by the Fund as a whole are as follows:

	31/03/2006	31/03/2007
Equities	78.6%	71.9%
Gilts	7.5%	8.9%
Other bonds	7.9%	6.5%
Property	5.1%	9.2%
Other assets	0.9%	3.5%

The actuarial gains and losses in the past three years are further analysed in the table below.

	2004/05		2005/06		2006/07	
	£m	%	£m	%	£m	%
Actual return less expected return on assets	0.55	2.8%	3.22	13.3%	1.67	6.5%
Experience gains and (losses) on pension liabilities	0.33	1.0%	0.05	0.1%	0.31	1.0%
Changes in assumptions underlying the present value of the scheme liabilities	(6.26)	-18.5%	(2.62)	-7.0%	1.43	3.8%
Total actuarial gain/(loss)	<u>(5.38)</u>	<u>-15.9%</u>	<u>0.65</u>	<u>1.7%</u>	<u>3.41</u>	<u>8.2%</u>

28 Reconciliation of net surplus/deficit on the Income and Expenditure Account to revenue activities net cash flow in the Cash Flow Statement

	2006/07 £'000
Deficit/(surplus) for the year on the income and expenditure account	1,330
Net additional amount credited to the general fund balance for the year (per statement of movement on the general fund balance)	(1,031)
	<u>299</u>
Increase/(decrease) in short term debtors	(313)
(Increase)/decrease in creditors	1,970
Increase/(decrease) in long term debtors	(80)
(Increase)/decrease in provisions	150
Movement in deferred income	(128)
Movement in collection fund	826
Contributions to/(from) reserves	(423)
Servicing of finance (net)	881
Sale of fixed assets credited to income and expenditure account	110
	<u>3,292</u>

29 Reconciliation of items shown with management of liquid resources

	£'000
Management of liquid resources	
Net (Increase) / Decrease in Short Term Deposits	<u>(2,840)</u>
Balance Sheet Extract	
Temporary Lending as at 31st March 2006	(11,393)
Temporary Lending as at 31st March 2007	<u>(8,553)</u>
Net revenue cashflow	<u>(2,840)</u>

30 Cash flow movement in net debt

	Movement In		
	31/03/2006	Year	31/03/2007
	£'000	£'000	£'000
Repayable within 12 months	(10)	0	(10)
Repayable in excess of 12 months	(306)	10	(296)
	<u>(316)</u>	10	<u>(306)</u>

31 Movement in cash and cash equivalents

	Movement In		
	31/03/2006	Year	31/03/2007
	£'000	£'000	£'000
Cash in hand	(180)	(18)	(198)
Cash overdrawn	510	55	565
	<u>330</u>	37	<u>367</u>

32 Analysis of government grants cash flow

	2006/07
	£'000
Planning delivery grant	301
Local authority business growth incentive	349
Capacity Building	136
Single regeneration budget	68
Housing and homelessness prevention	56
Recycling	50
Other grants	99
	<u>1,059</u>

Collection Fund 2006/07

This account shows the income and expenditure transactions of Mendip District Council (as the billing authority) relating to council tax and non-domestic rates. It also shows how the income is distributed between Mendip District Council General Fund plus Somerset County Council, Avon & Somerset Police Authority and the national pool (central government).

2005/06 £'000	Note	2006/07 £'000
Income		
(42,653)	Income from council tax	(44,941)
	Transfer from the general fund	
(5,171)	Council tax benefits	(5,544)
1	Transitional relief	2
(20,667)	Income collectable from business ratepayers	(21,591)
(68,490)		(72,074)
Expenditure		
47,108	Precepts and demands	49,745
	Business rates	
20,508	Payments to the national pool	21,431
159	Costs of collection	160
	Provision for bad and doubtful debts	
199	Write offs	124
49	Provisions	827
707	Contributions towards previous year's estimated Collection Fund surplus	613
68,730		72,900
240	Net/(Surplus) deficit for the year	826
(595)	Balance at 1 April	(355)
(355)	Balance at 31 March	471

NOTES TO THE COLLECTION FUND

1 Council tax

The council tax base for 2006/07 is calculated per parish, from the number of dwellings in each tax band allowing for exemptions, discounts, relief, new properties and uncollected taxes. These calculations are aggregated to give a total Band D equivalent forming the council tax base for 2006/07 of 38,447.06 properties.

2 Non-domestic rates

Total national non-domestic rateable value as at 31 March 2007	£60,681,213
National non-domestic rate multiplier	43.3p

3 Precepts and demands

	2005/06 £'000	2006/07 £'000
Somerset County Council	35,820	37,909
Avon & Somerset Police Authority	5,010	5,300
Mendip District Council	6,278	6,537

Statement on the System of Internal Control

This statement sets out the framework within which financial control is managed and reviewed and the main components of the system, including arrangements for internal audit.

Scope and Responsibility

Mendip District 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. 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 a regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the council must ensure there is a sound system of internal control which facilitates the effective exercise of the council's functions and includes arrangements for the management of risk and providing value for money.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable assurance, and not absolute assurance, of effectiveness. The system of internal control is based on an ongoing process designed to

- identify and prioritise risks to the achievement of the council's policies, aims and objectives
- evaluate the likelihood of those risks being realised and the impact should they be realised
- manage risks efficiently, effectively and economically.

The system of internal control has been in place at Mendip District Council for the year ended 31 March 2007, and up to the date of approval of the annual report and accounts.

The Internal Control Environment

The key elements of the council's internal control environment are as follows:

- The council has adopted a constitution, which sets out how the council operates, how decisions are made, and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Throughout 2006/07 the constitution has been updated and approved by the council.
- The facilitation of policy and decision-making through the establishment of a cabinet and partnership boards. Meetings are open to the public except where personal or confidential matters are being disclosed. In addition, senior officers of the council can make decisions under delegated authority as set out in the constitution.
- All policy and major decision reports are considered by the council's corporate management team enabling any recommendations they have to be considered by the cabinet or council prior to any decision being made.
- Business Plans are prepared and approved annually, reflecting the delivery of the Corporate Priorities. Progress on the achievement of these priorities is closely monitored by the council's senior managers, appropriate elected portfolio holders and cabinet. Key performance indicators are reported to cabinet and scrutiny board including our Local Area Agreements.
- Cabinet receive monthly forecasts of projected annual spend compared to approved budget with manager's recommendations to address any variances. Key indicators of financial health are included - outstanding debt and age of debt, prompt payment of invoices and cash collection rates for business rates and council tax.
- The Monitoring Officer ensures compliance with established policies, procedures, laws and regulations. After consulting with the head of paid service (Chief Executive) and Corporate

Financial Advisor, the monitoring officer will report to the full council if she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

- Corporate management systems are being developed and refined to support the council's governance arrangements. A Corporate Risk Management Group has been established to complete a strategic risk assessment that identifies and prioritises the council's strategic risks. This process has been "drilled down" into service areas, as part of the business planning process, which is ultimately fed back into the strategic risk assessment to ensure that effective systems are in place to manage these risks.
- The council has implemented systems for identifying and evaluating all significant risks, through the pro-active participation of all those associated with planning and delivering services. The council has approved a risk management policy statement and strategy. This explains the methodology which provides a comprehensive framework for the management of risk throughout the council. A risk register is in place and appropriate staff have been trained in the assessment, management and monitoring of risks.
- Reports for member decision contain explicit financial, legal, crime and disorder and equalities implications and specific risk assessments.
- In February 2007 the council approved the establishment of an audit committee to further strengthen the governance arrangements, but this will not meet formally until November 2007
- The financial management of the authority is conducted in accordance with the financial rules set out in Part 4 of the Constitution and the financial regulations. The council has designated the Corporate Financial Advisor as chief finance officer in accordance with Section 151 of the Local Government Act 1972. The council has in place a five-year financial strategy (capital and revenue); updated annually, to support the medium-term aims of the corporate plan.
- The council has updated and revised its contract procedure rules in 2006/07 to accommodate electronic purchasing and procurement
- In 2006/07 the council replaced and significantly updated its financial systems to improve budgetary control and payment of suppliers. We also completed the introduction of an electronic document management system in our revenues and benefits service which has improved the service provided and also reduced costs. During the implementation of these two large and important financial systems the council's internal audit service recommended the quality of our procedure notes for the new systems be improved and the systems are reconciled to the general ledger promptly.
- The council maintains an internal audit section, which operates to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK'. During the accounting period the internal audit function was carried out by a partnership arrangement with the South West Audit Partnership – a collaboration to deliver internal audit services (under service level agreement) across several councils in the region.
- The council has an objective and professional relationship with external auditors and statutory inspectors, as evidenced by the annual audit letter.
- Through reviews by external auditors, external agencies, internal audit, and 'best value teams', the council constantly seeks ways of ensuring the economic, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised. In 2006/07 the council strengthened the way it demonstrates its achievements in seeking value for money. This work continues into 2007/08.
- The council seeks to achieve economic, effective and efficient use of resources through a process of close budgetary control ensuring scarce resources are closely matched to the delivery of priorities as identified and approved in the annual business plans. This augments the continuing programme of scrutiny of services delivered by the council specifically targeted to critically examine existing provision and how, and whether, it can be more effectively provided in the future.
- Throughout 2006/07 the procedures for, and reporting of, effective financial management have continued to be strengthened and improved, culminating in a robust process for tight control of budgeted resources and stewardship of the council's financial resources. Each service manager

has a dedicated accountant working with them on budgetary control and forward planning. This includes large and small project work with either capital or revenue implications or both.

- To support the internal control environment our service managers formally review the mechanisms with the Corporate Financial Advisor and provide positive statements on the financial, risk management and other controls operating in their area on an annual basis.
- Services are delivered by trained and experienced people. All posts have a detailed job description and person specification. Training needs are identified through the personal development scheme and delivered by an enhanced corporate training budget.
- The council manages and reports on performance in a number of ways. The major ones being
 - Each officer receives an annual Performance Review and Development (PRAD) meeting with their line manager. This process cascades from the Chief Executive, and each officer's aims and objectives are linked to the business plan and the council's stated priorities.
 - Each Business Manager and Service Manager has responsibility for delivering services to the standard set by the council within the agreed budget.

Review of Effectiveness

The council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. This review is informed by the work of internal auditors and business managers within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

Processes have been applied in maintaining and reviewing the effectiveness of the system of internal control and where weaknesses have been identified they have been actively managed through reports to the corporate management team, cabinet, and scrutiny board, whichever is the most appropriate.

The monitoring officer has a duty to monitor and review the operation of the constitution to ensure its aims and principles are given full effect. The council reviews the constitution on a rolling basis and updates and modifies elements as required.

The council has a scrutiny board. The board can "call in" a decision which has been made by a policy committee or a portfolio holder but not yet implemented, to enable them to consider whether the decision is appropriate.

The council has delegated to the scrutiny board responsibility for discharging the functions of an audit committee, including reviewing the adequacy of internal controls, monitoring the performance of internal audit and agreeing the three year internal audit plan. In February 2007 the council established an audit committee to further enhance its review process in the future. The internal audit section is subject to regular inspection by the council's external auditors who place reliance on their work.

The internal audit function is carried out by the South West Audit Partnership. They work to a plan that has been discussed with the council and agreed with the Corporate Financial Advisor. The plan is on a three-year rolling programme, is based on an analysis of risk, and is in accordance with the Auditing Practices Board, CIPFA and the Institute of Internal Auditors. Through a process of planned internal audit review the key financial systems of the council are audited and an opinion is formed on the overall adequacy and robustness of these systems, on behalf of management. Arising from these reviews recommendations are made indicating areas where specific improvements in the system of internal control may be achieved and compliance with their implementation is monitored.

Internal audit is managed by the audit partnership but has reporting lines to the Corporate Financial Advisor and direct access to the chair of scrutiny board and the audit committee. Quarterly reports are provided to the council's Corporate Financial Advisor on internal audit's performance against the plan and any significant findings from the audits undertaken. Scrutiny board receives reports on the timely implementation of recommendations and at the end of the financial year internal audit provide to the scrutiny board a report of performance and findings for that year.

The council also gains assurance from their external auditor (Grant Thornton UK LLP formerly RSM Robson Rhodes) who presents their audit reports to full council, relevant committees and the corporate management team, whichever they feel is most appropriate.

Significant Internal Control Issues

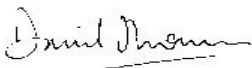
The council's internal auditor, in his draft annual report, stated that 57 recommendations had been made regarding the council's key financial systems. The internal auditor was unable to give adequate assurance, that the main financial systems controls were operating adequately, until the agreed actions were completed. This report will be presented to the audit committee in November 2007

Our external auditor's view of internal control was expressed following their work on the council's "Use of Resources" and assessed Mendip as below adequate. The implementation of two major financial systems did hinder the reconciliation process and the production of new systems notes. In addition, for a number of reasons the Audit Committee did not meet before the May elections. The council is producing an action plan of improvements for the audit committee's consideration in November 2007. Finance officers were aware of the issues and all reconciliations are now complete and performed monthly in the current year.

As ever, when conducting individual audit reviews there will be issues, of greater and lesser significance, where opportunities exist for improvement in the system of internal control as specifically applied to the system under examination.

These are positively addressed through recommendations made to management stating the identified risk and the steps required to address them. Through the approved audit process, management in turn responds to these recommendations and will indicate the timeframe in which compliance with the recommendation will be achieved, or the reasons and risk assessment in the few cases of non-compliance. This is followed up by audit at the expiry of this period to affirm that it has been achieved.

The council is currently building upon its risk management framework, with the corporate management team now considering and reviewing strategic risks on a regular basis. This is achieved alongside an agenda that includes corporate performance, budget monitoring, staffing and corporate projects. In this way, existing and/or new strategic risks potentially arising from within service areas or from corporate projects can be actively managed and mitigated.



David Thomson
Chief Executive
24 September 2007



Harvey Siggs
Leader of the Council
24 September 2007

Glossary of Terms

Audit – internal

The council has an internal audit service provided by the South West Audit Partnership (SWAP) who maintains a presence at Mendip all year. They have a wide ranging role and are responsible for auditing key financial systems and all other activities of the council on a rolling programme. They make recommendations to improve internal controls, safeguard assets and secure value for money.

Audit – external

Our external auditor (Grant Thornton UK LLP) is appointed by the Audit Commission but paid for by the council. They report to the council on a number of issues, but in this context they provide assurance to the council that this statement of accounts ‘presents fairly’ the council’s financial affairs and position.

Budget

A forecast of the council’s planned expenditure. The level of council tax is set by reference to detailed revenue budgets. Budgets are reviewed during the course of the financial year to take account of pay and price changes, and other factors affecting the level or cost of services.

BVACOP

CIPFA’s Best Value Accounting Code of Practice, which provides guidance on financial reporting to stakeholders and establishes ‘proper practice’ with regard to consistent financial reporting below the Statement of Accounts level.

Cabinet

The Cabinet is the executive board responsible for undertaking all of the council’s functions, except those functions which are reserved to the full council or delegated to committees or officers. When the executive councillors meet collectively they are known as the cabinet.

Capital Charges

Charges made to service expenditure accounts based on the service’s use of fixed assets (depreciation and impairment) plus credits relating to government grants and capital contributions used to pay for those assets.

Capital Expenditure

Expenditure on the acquisition or enhancement of fixed assets, deferred charges, advances (loans) or grants to other individuals/organisations.

Capital Financing Account

This is an account that holds financing transactions relating to capital expenditure. It does not represent funds available for general use in financing capital expenditure.

Capital Receipts

Income received from the sale of fixed assets or repayment of capital advances (loans).

CIPFA

CIPFA is the Chartered Institute of Public Finance and Accountancy, which is the leading professional accountancy body for public services.

Community Assets

Community assets are a class of fixed assets which are expected to be held by the council in perpetuity. Examples include parks, historic buildings and works of art.

Deferred Charges

A type of capital expenditure which may be deferred but which does not give rise to tangible assets. Examples are renovation grants (grants to private individuals and companies to improve housing standards) and capital grants to other organisations.

Depreciation

Depreciation is the measure of the consumption or wearing out of the useful economic life of a fixed asset.

Fixed Assets

Assets which provide benefit to the council and its services for a period in excess of one year.

Fixed Asset Restatement Account

An account showing the surpluses or deficits achieved when revaluing fixed assets. This account is not available for general use in the financing of capital expenditure.

Formula Grant

This is central government subsidy to local authorities, comprising two elements – revenue support grant and redistributed non-domestic rate.

FRS17

This Financial Reporting Standard is based on the 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.

General Fund (GF)

This is the primary revenue account which records the cost of providing the majority of the council's services.

Housing benefit

The housing benefit scheme is a national scheme administered at a local level by the council. It is a means-tested service where the council can pay all, or part of, a household's rent or council tax, or both.

Housing benefit subsidy

The government reimburses the council for most of the housing benefit payments made to residents plus an allowance to cover the costs of administering the scheme.

Infrastructure assets

This is a class of fixed assets whose life is of indefinite length and which are not usually capable of being sold. Examples include roads, footpaths and bridleways, bus shelters, bridges, water works and drainage.

Intangible Assets

This is a class of fixed assets that do not have any physical substance but are identifiable and are controlled by the authority, for example, purchased software licences.

Minimum Revenue Provision (MRP)

The amount defined by government regulation required to be charged to the revenue account as to provide for the redemption of debt.

National Non Domestic Rates (NNDR)

The form of local taxation charged on non residential premises at a level set by central government. Rates are collected and paid into a central pool administered by the government and the total collected is then redistributed to authorities on the basis of population.

Outturn

The final total expenditure and income amount in any financial year.

Precept

The charge made by another authority on the council to finance its net expenditure. The council currently has the following precepting authorities: Somerset County Council, Avon and Somerset Police Authority and all the city, town and parish councils in the district.

Related Parties

This is defined under Financial Reporting Standard 8. The council is required to disclose material transactions with related parties, which can include central government, subsidiary and associated companies, the Pension Fund, council members, and chief and senior officers. FRS8 requires attention to be drawn to the possibility that the reported financial position may have been affected by the existence of related parties and by material transactions with them.

Revenue Expenditure

Day to day expenditure incurred in the provision of services including salaries and wages, transport and goods and services.

Revenue Support Grant

A grant paid by the government in support of the council's revenue expenditure, as part of the Formula Grant.

Section 151 Officer

Another term to describe the chief financial officer of the council with responsibilities as set out in the Statement of Responsibilities for the Statement of Accounts.

SORP

The SORP is issued by CIPFA and is the Statement of Recommended Practice on local authority accounting in the UK.