



South Somerset District Council

Statement of Accounts 2020/2021 (Subject to final audit opinion)



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Foreword

I am pleased to present South Somerset District Council's Statement of Accounts. These give an overview of the Council's finances for 2020/21, a financial year that was unprecedented because of the Covid-19 pandemic.

The Statement of Accounts provides information so that everyone, including electors and residents of South Somerset, Council Members, our partners, stakeholders and other interested parties can have:

- A full and understandable explanation of the overarching financial position of the Council.
- Confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner.
- Assurance that the financial position of the Council is sound and secure.

The Accounts and Audit (Amendment) Regulations 2021 changed the statutory audit deadlines for all Local Authorities. The deadline for issuing draft accounts is now 31st July and the publication deadline for audited accounts moved from 31st July to 30th September.

Draft Accounts for 2020/21 were submitted to our External Auditors, Grant Thornton, on 2nd August, missing the mutually agreed completion date by one month. Due to their other commitments, Grant Thornton could not however commence our audit until September, and these delays meant that the national publication date for final audited accounts was not achieved.

The Draft Statement of Accounts was published on our website on 30th July 2021 (i.e. within the statutory deadline) and the Statutory Inspection of Accounts Period was from 30th July to 10th September 2021.

Grant Thornton have raised some concerns and issues relating to our management of the production of the Statement of Accounts and our engagement in the 2020/21 external audit process.

Senior Management have responded to Audit Committee (17th May 2022) on those concerns and have set out the way they are proactively making improvements to the process and providing sufficient officer capacity to

ensure that deadlines for the 2021/22 cycle are met.

It is obviously in everyone's interests that the Annual Statement of Accounts are produced on time, so that the information is still relevant. Completing audits on time increases transparency and demonstrates the ability of the Council to account effectively for its stewardship of public money.

We failed to achieve the deadline for audited accounts, for which we apologise, but to put our position into the national (England) perspective, the majority (91%) of local government and police bodies missed the statutory deadline of 30 September 2021 for publication of their audited 2020/21 accounts: by the end of December 2021 that figure had fallen to 60%. (Source: Local Government Association: Update on Local Audit, 2nd March 2022).

To conclude, I am very pleased that the overall outcome of the audit process is an unqualified set of accounts for the financial year 2020/21. This means that in all material respects the accounts are true and fair and that proper financial arrangements were in place for the year audited.

I wish to thank the Finance Team and all other officers involved in the production of these Statements and the achievement of an unqualified opinion. I am aware of the amount of work that the Finance Team has had to simultaneously deal with in the last few months to finalise the accounts and the audit, prepare the 2022/23 capital and revenue budgets, as well as undertake work in the Local Government Reorganisation programme.



Councillor Peter Seib
Portfolio Holder: Finance, Legal
and Democratic Services

Narrative Report

1. Introduction

Effective planning, management and scrutiny of the use of public funds are a key part of a local authority's responsibilities. The financial statements are a vital part of the accountability framework, as they demonstrate how much money was spent and for what purpose, and how cash needs were met. They also record the assets used, and liabilities incurred, in delivering services.

However, local authority financial statements are complex and can be difficult to understand: they must comply with the Chartered Institute of Public Finance & Accountancy's (CIPFA) "Code of Practice on Local Authority Accounting in the United Kingdom 2020/21", which is based on International Financial Reporting Standards (IFRS), and also the requirements of accounting and financing regulations of central government.

This narrative report will provide the reader with:

- An understanding of the Council and its strategic priorities.
- An outline of how the Council responded to Covid-19 and how it has impacted on our finances and priorities.
- A summary of the Council's financial performance for 2020/21 along with information on how well we delivered its key priorities during the year.
- An overview of the Council's medium term financial plans, future outlook, and key risks going forwards.
- A guide to the key features of the primary statements and notes that make up the financial statements.

The CIPFA/SoLACE Delivering Good Governance in Local Government Framework (2016) requires local authorities to publish an Annual Governance Statement, alongside the Statement of accounts.

2. South Somerset District Council

South Somerset forms much of the eastern side of the County of Somerset. It comprises nearly a third of the County with a population of 167,000 and covers an area of 370 square miles (958 square kilometres). South Somerset consists of a mixture of both sparsely inhabited rural areas and a network of market towns. The rural nature of the area is emphasised by the low population density of 1.7 persons per hectare (the England average is 4.1). Yeovil and Chard are the 2nd and 6th biggest towns in Somerset. South Somerset has 121 parishes with 102 parish and town councils and 39 wards.

As a shire district, the Council delivers local services within a two-tier structure of principal local government authorities, with 'upper tier' services provided by Somerset County Council and 'lower tier' services provided by South Somerset District Council (SSDC) including (but not limited to):

- Housing policy, enabling, options & homelessness
- Planning
- Building regulation control and enforcement
- Waste collection and recycling
- Regulatory services
- Council tax and business rates administration
- Housing benefits
- Provision of off-street parking
- Electoral registration and elections
- Leisure and arts

South Somerset District Council is made up of 60 locally elected members - 40 Liberal Democrats, 14 Conservatives, 5 Independents and 1 Green (as at 6 May 2020).

The Council employs 381.2 full time equivalent (FTE) employees (as at 31 March 2021). The actual number of employees is 410 of whom 317 are full time and 93 are part-time employees.

The Council delivers some of its services in partnership with other organisations, the most significant of these being Somerset Waste Partnership and SWAP Internal Audit Services.

3. Strategic direction of the Council

South Somerset District Council is an ambitious and forward-thinking council that is committed to transforming, improving, and adapting to be ready for the future. We place our residents and businesses firmly at the centre of everything we do.

The Council Plan sets out the vision for the Council and how these are going to be delivered through key areas of focus and priority projects. The current Council Plan covers the period 2020 to 2024 and can be found at: [Council Plan 2020-24](#)

Our Vision

A naturally beautiful and sustainable environment, which also allows business to flourish and good homes to be delivered. A place where our communities are safe, vibrant and healthy and have access to exceptional cultural and leisure activities.

Our Values



Customers' first - Designing plans and services around our customers



Community at heart - Enabling residents to support our communities and the environment we live in



Open and transparent - Actively communicating, engaging and listening to feedback



Innovative - Embracing innovation & technology to improve customer service and facilitate access to council services for all who need it



Getting things done - Empowering dedicated and flexible employees and elected members focussed on delivery



Working collaboratively - Working with partners to enhance outcomes for our communities

Our five Areas of Focus for 2020/21 were:

- **Protecting Core Services** - to ensure a modern, efficient and effective council that delivers for its communities
- **Economy** - to make South Somerset a great place to do business, with clean inclusive growth and thriving urban and rural businesses
- **Environment** - to keep South Somerset clean, green and attractive and respond to the climate emergency
- **Places where we live** - to enable housing and communities to meet the existing and future needs of residents and employers
- **Healthy, self-reliant Communities** - to enable healthy communities which are cohesive, sustainable and enjoy a high quality of life

Table One: Our priority projects for 2020/21

Fully realise the benefits of Transformation and further embed the Commercial Strategy
Progress implementation of the Chard regeneration project
Continue the refresh of Yeovil Town Centre
Progress project to aid the regeneration of Wincanton Town Centre
Develop proposals to accelerate the delivery of key housing sites and associated infrastructure
Assess options for improving community transport links
Develop proposals to support struggling families and help address child poverty and low rates of social mobility in the district
Accelerate action to adapt to and mitigate the effects of climate change and extreme weather

4. The impact of Covid-19

In our 2019/20 accounts we referred to the “emerging risks” that the pandemic may bring. We did not envisage at that time how significant the unfolding crisis would be on our day-to-day business. For our residents; businesses and staff the Covid-19 pandemic has been, and continues to

be, a challenge.

Our Staff and Communities have stepped up to provide help and support where and when it was needed. We have continued to deliver our services despite resources being diverted to aid with the pandemic. We have met ongoing demands, even with the changes to services that were made in line with Government guidelines. We are incredibly proud of the work we have achieved alongside our communities in 2020/21.

Some of the way we responded to the pandemic include:

- **Enabled staff to work from home during Covid-19** - Setup and deployed 90 new laptops. Re-provisioned 30 existing laptops Deployed over 50 headsets and monitors. Setup and deployed 10 mobile Wi-Fi hotspot devices for staff without broadband / internet at home.
- **SSDC staff redeployed** to work at the Wellbeing Hub, Street Scene, customer connect, grants, housing and more recently the testing and vaccine rollout.
- **Supported COVID-19 community resilience initiatives** via the Brokerage Cell including facilitating financial assistance to 9 Food Banks, project funding to support vulnerable young adults and covering costs of call outs to clinically and Extremely Vulnerable/ shielding.
- **More than 1,000 food parcels and essential supplies provided** to those who were shielded, facing financial hardship, or supporting children entitled to free school meals.
- **The Connect team established a new ongoing Covid support telephone line** that has, at times, required 7 days a week cover to support the needs for food, medicines, transport, finance, and general welfare amongst a multitude of other things.
- **Worked with partners to develop digital applications** for Test and Trace Isolation Payment, Local Restriction Support Grant, Additional Restrictions Grant & Restart Business Grants.

- **Distributed over £55m of grants** to support local businesses since the start of the pandemic with **4,000+** business support grant applications received by 26 March 2021.
- **Formed and lead a Multi-Agency Redundancy Task Force** with 28 support organisations and co-ordinated a programme of support from various support agencies including Yeovil College, Somerset Skills and Learning, Department for Work and Pensions, Citizens Advice South Somerset and Bridgwater and Taunton College.
- **Ensured the safe re-opening of high streets** in partnership with Town Councils, the County Council, Police, and other key stakeholders. Made **1,000+** visits to local businesses to help them stay Covid-safe in addition to the high visibility patrols carried out by Covid wardens.
- **30,000+ calls were made for Covid vaccinations** between SSDC colleagues, and other Somerset Councils. Actively involved in the Covid Vaccination centres both onsite and in making calls 7 days a week to book appointments.
- **Facilitated virtual council meetings during the Covid-19 pandemic**, resulting in better attendance to these meetings.
- **Produced a Recovery & Growth Plan** in partnership with other Somerset Councils.

Impact on Council Finances

The additional costs associated with this emergency, together with a reduction in budgeted income streams, have been considerable. If it were not for the additional funding from central Government the Council would have significantly exceeded its approved net revenue budget by £4.3m (see section 6 for more detail).

The Council received emergency funding during the year from the Government totalling £4.9m. As a result the Council has been able to successfully manage the Covid-19 cost pressures from within these additional funding allocations without any impact on the 2020/21 budget

position.

5. 2020/21 achievements

Despite the impacts made by the pandemic, we continued with our regeneration projects, supporting three of our key towns – Yeovil, Chard and Wincanton. In particular we:

- Secured £9.75m grant for the Yeovil Refresh through the Future High Street Fund.
- Continued to build the new Leisure Centre in Chard despite Covid-19. The new facility opened in November 2021.
- Started work on the designs for the Public Realm in Wincanton.
- Secured £10m Government funding for the redevelopment of Yeovil's Octagon Theatre to boost capacity to 900 and to make improvements to the cafe and studios.

Substantial progress was made towards our Environment Strategy, which aims to make the district carbon neutral by 2030. This progress included:

- **27** SSDC car parks were identified for EV charging points as part of the EV charging network project across Devon and South Somerset in partnership with DELETTI. The procurement process for delivery has been completed.
- The innovative Battery Energy Storage Site (BESS) investment project was expanded to 30MW to maximise the capability of the site.
- Awarded **£3,993,847** by the Public Sector Decarbonisation Scheme to retrofit energy efficiency and renewable energy technologies across Council owned buildings. We worked with Engie to conduct an energy audit on our top 10 highest use buildings and developed a net zero carbon roadmap setting out actions and goals for achieving optimum carbon savings in the most efficient and cost-effective ways.
- The SSDC annual tree planting scheme planted 670 trees across our parks, of which 570 were planted at Wyndham Hill in Yeovil.

The 10-year Economic Development Strategy has been embedded ensuring that we are well placed to attract new businesses, help start-ups, and encourage diversity and innovation. All our teams have worked hard to

help businesses and individuals across the district in terms of employment support and the payment of business grants during the pandemic.

We continue to be a commercial organisation, investing £31m in projects that provide essential income to pay for our highly valued services.

Customer Service continues to be improved with innovative technology, supplying dedicated resource to support those who are most vulnerable and continuing our great work to alleviate homelessness.

The Digital Team have worked tirelessly to ensure all our staff have been able to continue working remotely whilst implementing fresh solutions to speed up customer interactions.

- We achieved a **33%** audience increase on our social media channels and our messages are reaching, on average, more than 100,000 people every day across Twitter and Facebook.
- **80%+** of our contact is now online due to channel shift.
- We successfully implemented a voice over internet protocol communication system and Connect 360 for various enquiries.

Although some of our services and venues have had to change the way they work, we are proud to continue to support residents including free school holiday Play days, a superb network of parks and open spaces, leisure, arts and entertainment services including swimming facilities at Wincanton and Yeovil, The Octagon Theatre and Westlands.

The performance described above is just a high level summary and more detail is contained within the End-of-year Achievements Report which can be found here.

[Annual Achievements Report 2020-21](#)

6. 2020/21 Financial Performance

Background Context

This part of the Narrative Report reviews the Council's performance against the approved 2020/21 revenue and capital budget (known as "year-end outturn") and the consequential impact on reserves, borrowing, and investments.

The figures shown here will not always coincide with the figures given in the Statement of Accounts. More information on this is given in section 7. The key difference is that the accounting costs shown in the Statements are determined in accordance with generally accepted accounting principles whilst the budget has to comply with local government legislation. This means that certain accounting costs shown in the Statements are not actual cash outflows and do not have a direct financial impact on the budget

Local government expenditure and income is recognised as being either capital or revenue in nature.

Capital expenditure is expenditure on assets such as land, property, ICT equipment, and the refurbishment of existing assets that will prolong the useful life of the asset (such as replacing a roof). Lending to third parties is also capital expenditure if the loan is to be used to finance expenditure on assets. Any investment by the Council in acquiring shares in third party companies is also capital expenditure. Capital income largely comprises of grants and sales of assets (known as capital receipts).

All other expenditure and income has to be classified as revenue unless central government gives a determination that it can be treated as capital expenditure. Revenue expenditure is incurred in delivering the Council's ongoing services and back-office support. Revenue income largely comprises of fees & charges, Council Tax, Business Rates and grants.

The Council has a statutory obligation to balance its revenue expenditure budget each year. Capital expenditure however can be funded over the medium to longer term through prudential borrowing. The costs of borrowing are charged annually to the Council's revenue budget.

Revenue Budget

Budget setting and monitoring: Full Council approves the revenue budget annually at its February meeting. The budget contains the financial plans that the District Executive manages under its delegated authority. All of the Council's income and expenditure has a responsible officer budget holder.

The 2020/21 revenue budget approved by Full Council in February 2020 can be found here. [2020/21 Revenue and Capital Budgets and Medium Term Financial Plan](#)

District Executive receives regular budget monitoring reports throughout the year which highlight any forecast differences from the agreed budget (known as variances). The report includes comments from budget holders on the reasons for the variance. The budget monitoring reports are also reviewed by Scrutiny Committee.

The 2020/21 quarterly revenue budget monitoring reports can be read by clicking on the following hyperlinks:

[Quarter 1 Revenue Budget Monitoring Report 2020-21](#)

[Quarter 2 Revenue Budget Monitoring Report 2020-21](#)

[Quarter 3 Revenue Budget Monitoring Report 2020-21](#)

[Quarter 4 Revenue Budget Monitoring Report 2020-21](#)

It should be noted that it has been particularly challenging this year for officers to forecast the year-end outturn. There were many uncertainties, particularly at the beginning of the financial year, as to how the pandemic would affect the Council's costs and income budgets. In addition, central government's emergency funding was announced in separate tranches during the year and it was not certain what level of support local government would receive or whether, for service specific grants, the Council's application for funding would be successful. This has meant that the actual year-end outturn is significantly different from the estimates reported to District Executive during the year.

Net Revenue Outturn: total net expenditure for 2020/21 was **£15.554m**

resulting in a balanced outturn position against the approved net budget.

This Council received £4.902m in additional government grants during the year: comprising Covid Response (New Burdens) grants of £2.458m, which were general unallocated grants, together with a further £2.443m in specific ring-fenced grants.

Table 2: Government Grants received in 2020/21

Grant	£
Total Covid Response Grant	2,458,304
Income Compensation	1,038,230
Job Retention	509,826
Leisure Recovery Fund	341,542
Cultural Recovery Fund	348,787
Other grants	204,866
Total Ring-Fenced Grants	2,443,251
Total Additional Funding Received	4,901,555

We used £4.695m of the grants received to fund budget pressures arising from the pandemic (of £4.330m) and to fund budget carry forwards into the new financial year (of £0.365m). The carry forward amounts are largely to fund the completion of work that was disrupted or paused as priorities changed during the year in response to the pandemic. The total amount carried forward was capped to ensure a balanced budget position was achieved at year-end. All requests for budget carry forwards were reviewed by SLT with those not approved being funded from the 2021/22 budget.

Surplus grant balances of £0.207m, along with additional grant funding received from government in May 2021 (of £0.838m), will be utilised in funding Covid-related growth pressures in 2021/22 as required.

Table 3: Revenue Budget Net Outturn for 2020/21

Directorate	Approved Budget £	Actual Net Spend £	COVID Grant Allocation £	Budget Carry Forwards £	2020/21 Outturn £	Under/Over Spend £
Chief Executive	429,860	802,551	0	0	802,551	372,691
Strategy & Commissioning	3,353,300	3,872,216	-707,559	83,370	3,248,027	-105,273
Support Services	1,992,460	1,173,206	-310,940	0	862,266	-1,130,194
Service Delivery	3,272,940	4,896,664	-752,351	230,310	4,374,623	1,101,683
Commercial Services & Income Generation	6,505,260	9,139,470	-2,924,302	51,180	6,266,348	-238,912
Total	15,553,820	19,884,107	-4,695,152	364,860	15,553,815	-5

Covid 19 had a significant impact on the Council's finances during 2020/21 which would have resulted in the Council significantly exceeding its approved net revenue budget by £4.330m if the additional government funding had not been received. The key financial pressures experienced included:

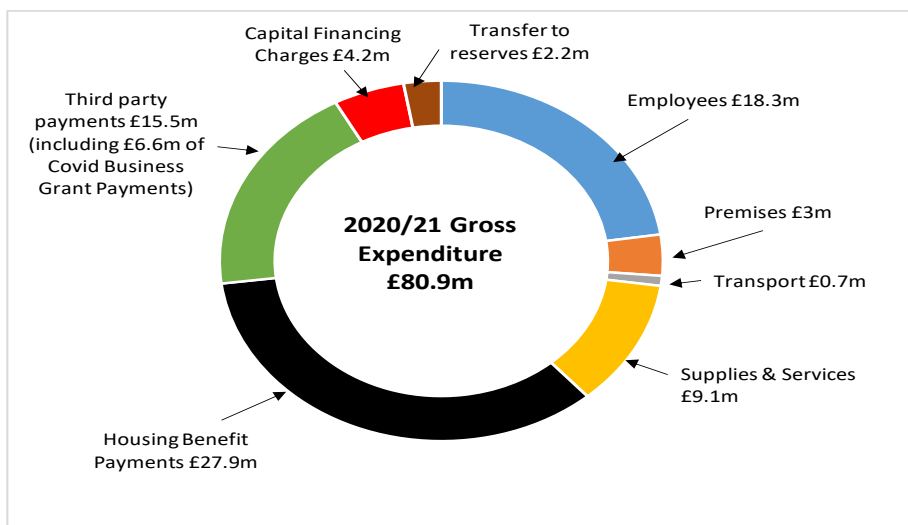
- Lost income from the Octagon Theatre and Westlands Entertainment Venue as the venues had to be closed for the majority of the year.
- Reduced income from fees, charges and rental income in general but from car parking and Building Control in particular.
- Increase in the Bad Debts provision for Council Tax due to a decision to suspend recovery for most of the year.
- Providing financial support to the Council's Leisure Centres' operator during the Covid 19 lockdowns.
- Additional costs incurred by Somerset Waste Partnership in respect of kerbside collections and recycling sites.
- Additional payments made under the Discretionary Housing Payments Scheme and Council Tax Support Scheme (CTS).
- Underachievement of the 2020/21 additional income/savings target agreed in the budget.

The Covid-19 pandemic has also significantly impacted Business Rates income collection. The 2020/21 outturn is a deficit position of £10.2m largely arising from central government's decision to grant reliefs to retail, leisure, and hospitality businesses during the year. The Council has received £11.8m of Section 31 grant to compensate for the loss of income

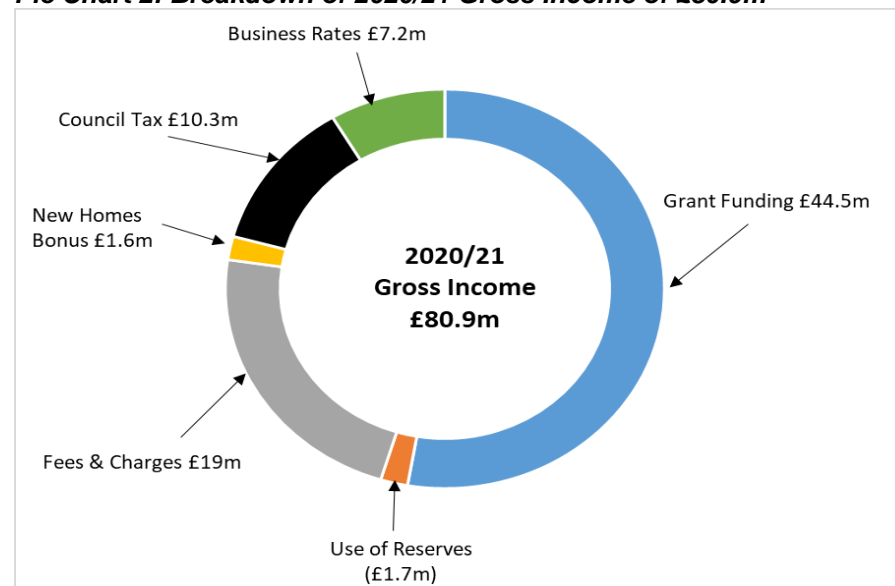
arising from this decision. Owing to the complex accounting arrangement for Business Rates this income has to be accounted for in 2021/22 and therefore this amount has been transferred to an earmarked reserve.

Gross expenditure and income: Local Government conventionally shows the net expenditure budget position in committee reports. This is defined as the net expenditure that is financed by Council Tax, Business Rates, general government grants, and non-earmarked reserves. An analysis of the 2020/21 gross expenditure and how that is financed is illustrated below.

Pie Chart 1: Breakdown of 2020/21 Gross Expenditure of £80.9m



Pie Chart 2: Breakdown of 2020/21 Gross Income of £80.9m



Capital Budget

Budget setting and monitoring: Full Council approves the capital budget in February each year. Council also agrees a reserve programme comprising of projects that have been agreed in principle but are not included in the capital budget as their start date is uncertain or they require a robust Business Case to be produced.

The 2020/21 capital budget approved by Council in February 2020 can be found here.

[2020-21 Capital Budget](#)

Monitoring of the agreed programme has been delegated to District Executive and is undertaken on a quarterly basis. The reports also go to Scrutiny Committee for review. District Executive agrees each quarter whether the capital budget is amended to reflect any known changes to the project or its funding or whether reserve projects can be added to the capital budget.

The 2020/21 quarterly capital budget monitoring reports can be read by clicking on the following hyperlinks:

[Quarter 1 Capital Monitoring Report 2020-21](#)

[Quarter 2 Capital Monitoring Report 2020-21](#)

[Quarter 3 Capital Monitoring Report 2020-21](#)

[Quarter 4 Capital Monitoring Report 2020-21](#)

Capital Outturn: Total capital spending for 2020/21 was **£42.177m**; this was £22.628m (116%) more than the original £19.549m of planned expenditure agreed by Council in February 2020.

Pie chart 3: Capital expenditure by Directorate

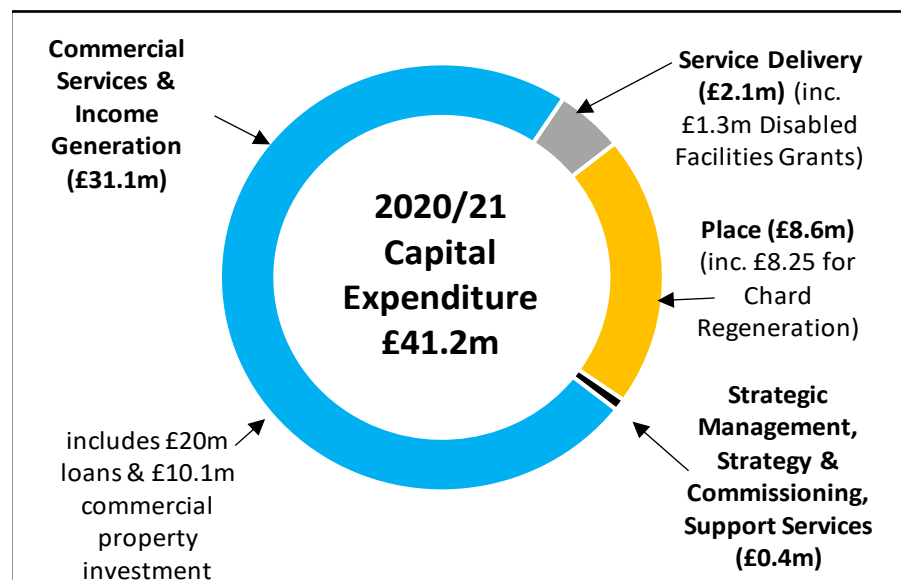
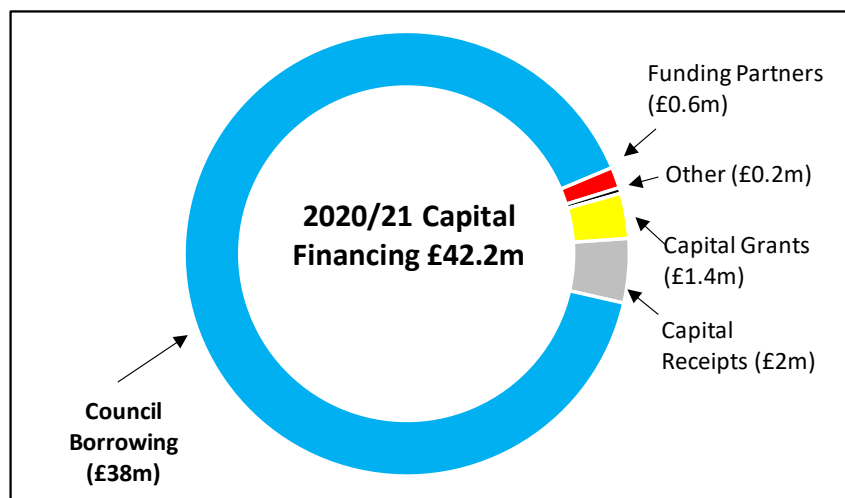


Table 4: showing details of capital expenditure (over £50k)

£20m Commercial Loans including £18.69m to SSDC Opium Power for the Battery Storage Scheme at Fareham – to be repaid in line with loan agreements.
£10.20m in acquiring 4 commercial Investment Properties (Trafalgar House in Taunton, 27-29 Sherwood Road in Bromsgrove, NHS Cook & Chill in Redruth, and Fitness First in Poole) – generating new income to fund services to our communities.
£8.64m on Town Centre Regeneration – the majority of this expenditure was for the Chard Regeneration Project - improving the town centre to stimulate economic growth.
£1.32m Disabled Facilities & Home Repair Grants – enabling aids and adapting private properties to support living at home.
£365k Affordable Housing Scheme contributions – enabling delivery of affordable housing in the District.
£328k Sports, Leisure and Play facilities – improving facilities to aid healthy living and enjoyment in the community.
£297k Yeovil Crematorium – updating and improving the Crematorium to deliver an improved service to the community.
£223k John O'Donnell Pavilion – upgrading and improving to provide better leisure and recreation services.
£165k ICT Services – enhancing facilities to enable home working during Covid and ensuring the ongoing security and efficiency of digital systems.
£108k Yeovil Innovation Centre – improving facilities for local businesses.
£95k Area Capital Grants – allocation of grants to small local parishes, initiatives and businesses.
£54k Streetscene Vehicles – keeping the district's streets and green spaces clean.

Capital financing: The financing of the 2020/21 capital programme is illustrated in pie chart 4. Prudential borrowing is funding 90% of the expenditure incurred.

Pie chart 4: Funding of 2020/21 capital expenditure



The borrowing amount of £38m is a combination of internal and external borrowing, with the split being 51% / 49% respectively.

Internal borrowing is when the Council uses its cash balances to temporarily fund its need to borrow. These cash balances need to be replenished either when overall Council cash reserves are low or when a strategic decision is made to obtain external long-term loan finance, so the borrowing is only temporary. The Council undertakes weekly monitoring and forecasting of its cash position in order to ascertain when any borrowing is required.

External borrowing is the action of obtaining loan finance from a third party. Currently SSDC meets its external borrowing needs through short-term loans taken out on a rolling basis with other local authorities.

The 2020/21 treasury management strategy agreed by Council in February 2020 estimated an increase in borrowing arising from capital expenditure during the year of £33m (excluding leasing arrangements that did not materialise). The outturn borrowing figure is £5m above this projection which has meant that the revenue budget for paying the interest charges on external borrowing was overspent by £0.930m. It should however be noted that the borrowing needed to fund the 2020/21 capital programme is easily accommodated within the authorised borrowing limit (£140m) agreed by Council for 2020/21.

Reserves Position

Revenue earmarked reserves total £38.464m as at end of March 2021 (they were £21.877m as at the end of March 2020).

The increase in earmarked reserves includes £11.84m carry forward of Section 31 grant income from central government to use in 2021/22 to fund losses in 2020/21 Business Rates income arising from reliefs given during the pandemic. The complex statutory accounting for Business Rates requires that any losses/gains in one year are accounted for in the next.

The most significant revenue earmarked reserves, excluding the reserve for Section 31 grant income mentioned above comprise:

- £6.6m in the Commercial Investment Risk Reserve
- £4.9m Medium Term Financial Plan Support Fund
- £4.6m NNDR (Business Rates) Volatility Reserve
- £3m Regeneration Fund

The General Fund Balance is £4.316m as at the end of the year (previous year's position was £5.1m). £1.86m was transferred out of the balance in 2020/21 to fund the overall revenue budget.

Capital reserves are £18.222m as at the end of the year (corresponding position last year was £18,422m).

7. Medium Term Financial Plan and Outlook

Introduction: This section of the Narrative Report sets out the council's revenue and capital budgets for 2022/23 along with how these budgets will be funded. The 2022/23 budget will be the last budget of SSDC prior to the creation of the new Somerset Council from 1st April 2023: therefore, there is no Medium Term Financial Plan nor a Capital Strategy. Council approved the budget at its meeting on 28th February 2022. The Budget Report can be found on the Council's website.

Local Government Reorganisation (LGR): In July 2021, the Secretary of State made a decision to replace the existing local government structure in

Somerset with a single unitary council. This means that the current structure of county plus four district councils will be replaced with a single Somerset Council from 1st April 2023.

The approved budget for 2022/23 recognises that LGR will require significant resources to ensure services remain stable with minimal disruption as well as additional capacity to fund the implementation costs associated with this major reorganisation programme.

2023/24 revenue estimates: The Budget Report sets out an indicative position for the 2023/24 revenue budget (the first year of Somerset Council) based on a continuation of the services and delivery methods SSDC currently provides along with estimates of the potential impact of the local government funding reforms, anticipated to be introduced in that financial year. These estimates must be treated with caution particularly as there is a lack of current information on the reforms and it is difficult therefore to forecast their impact with any degree of accuracy.

These 2023/24 estimates will be superseded and reviewed as part of the preparation needed to set Somerset Council's 2023/24 budget. Work is currently being undertaken as part of the LGR Programme to consolidate a base budget position across the five councils as a starting point for developing the 2023/24 budget and Medium Term Financial Plan for the new council.

Key budget proposals agreed by Council:

2022/23 Revenue Budget:

- Balanced revenue budget position for 2022/23 (with a small estimated surplus of £140k).
- Net revenue budget requirement in 2022/23 of £19.714m representing an increase on the 2021/22 original approved estimate of £2.971m (17.75%).
- Revenue budget growth proposals totalling £2.108m.

2021/22 to 2023/24 Capital Programme:

- Capital Programme of £116.469m an increase of £21.521m from the 2021/22 original approved estimate of £96.352m (an increase of 23%).
- The creation of a corporate capital contingency fund within the capital programme of £4m.

- Consequential increase in the revenue budget (financing costs) of £1.272m.

Reserves:

- Use of £6.658m of earmarked reserves during 2022/23 (2.101m to fund the revenue budget and 4.557m to fund the capital programme).
- Increase in the LGR (Local Government Reorganisation) Reserve by £1m to fund potential staffing capacity gaps during 2022/23.
- Creation of a reserve in 2023/24 of £4.8m for the Yeovil Refresh capital project should there be a requirement in that year to pay back the money-received to-date from the Future High Streets Fund (FHSF).
- Transfer of £2m from the Commercial Investments Risk Reserve to the MTFP Support Fund reserve to assist the 2023/24 position of the new Council to fund potentially adverse local government finance reforms.
- Increase in the Treasury Management Reserve by £0.350m to fund an increase in interest rates in 2022/23 (up to 1%) should they rise above the rates assumed in this Budget Report.

Council Tax:

- An increase of 2.82% in Council Tax (SSDC's element excluding precepts) in 2022/23 to £182.11 (for Band D).

Revenue Budget

The Net Budget Requirement for 2022/23 is £19.714m, which once funded by government grants, Council Tax, and retained Business Rates produces an overall balanced budget with a small surplus of £140k estimated (0.7% of the Net Budget Requirement).

The preliminary forecast for 2023/24, based on SSDC continuing its services, shows a deficit of £4.535m, which is largely the result of assumptions made about the local government finance reforms, which may be introduced in that year and the likely adverse impact of the changes.

The overall 2022/23 gross revenue expenditure budget for SSDC is £74.28m. Charts 5 and 6 illustrate how this budget is planned to be spent and how it is financed.

Chart 5: 2022/23 Gross Revenue Budget Expenditure (£74.28m) by type of expense

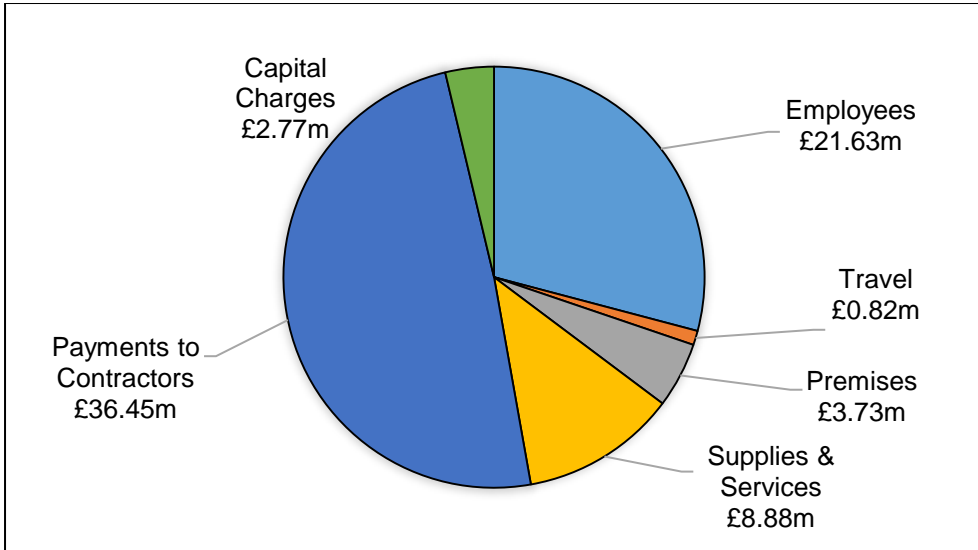
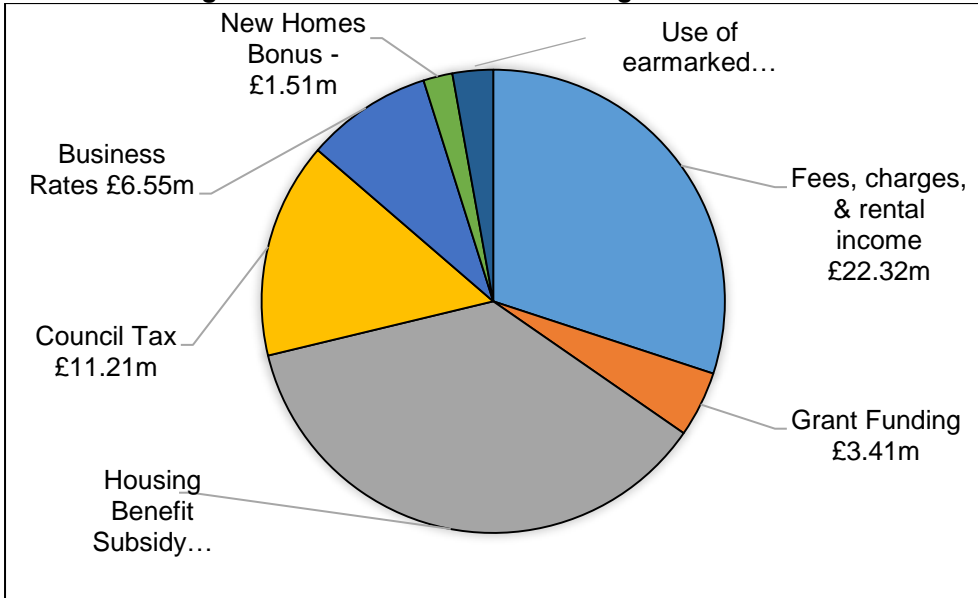


Chart 6: Funding of 2022/23 Gross Revenue Budget of £74.28m



The total capital programme for the years 2021/22 to 2023/24 (and ongoing expenditure until 2025/26) is £116.469m. This is illustrated in pie chart 7 with pie chart 8 showing how this will be funded. Council agreed at its meeting an addition to the capital programme of £21.521m for the years 2022/23 and beyond.

Chart 7: Capital Programme by Service Area along with major projects

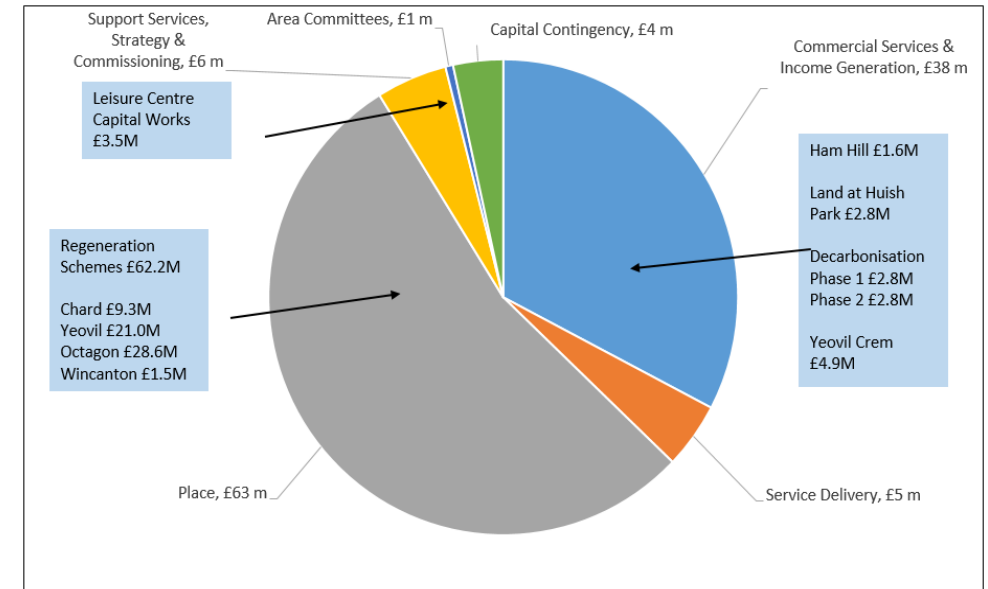
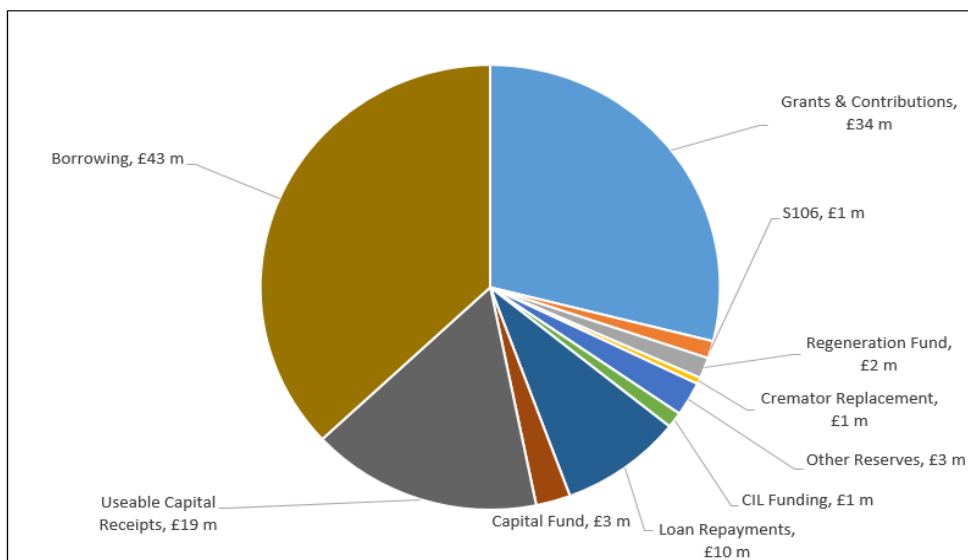


Chart 8: Funding of the overall Capital Programme



Reserves

The Council holds earmarked revenue reserves for a variety of good financial management reasons. Some reserves are for specific expenditure that will occur in the future, some reserves are held to mitigate possible risk, and others are reserves specifically built up over the past to help support the Medium Term Financial Plan. We also hold reserves for each Area Committee.

Earmarked reserves are either revenue reserves (which can be used to fund both revenue and capital expenditure) or capital reserves, which, unless the Secretary of State gives the council a specific dispensation, can only be used to fund capital expenditure. The capital reserves showing in the table below are primarily comprised of capital receipts.

Table 5: Estimated Reserves Position

Reserves Summary	Balance as at 01/04/2021 £'000	Movement £'000	Balance as at 01/04/2022 £'000	Movement £'000	Balance as at 01/04/2023 £'000	Movement £'000	Balance as at 31/03/2024 £'000
Corporate Reserves	(9,081)	(4,426)	(13,507)	619	(12,888)	4,784	(8,104)
Capital Reserves	(18,222)	16,162	(2,060)	1,981	(79)	0	(79)
Revenue Earmarked Reserves	(21,991)	8,918	(13,073)	3,544	(9,529)	1,209	(8,320)
Total Reserves	(49,294)	20,654	(28,640)	6,144	(22,496)	5,993	(16,503)

The Council held £49.294m in capital and revenue reserves as at the beginning of the financial year, 2021/22.

Assessment of Financial Risks

Table 6: Assessment of key financial risks

RISK	DESCRIPTION AND ANY MITIGATION
Staffing capacity	<p>Risk: There is the possibility that SSDC may lose staff during 2022/23. There is also additional workload arising from LGR implementation. There is a risk therefore that there may not be sufficient capacity to maintain service delivery, deliver the corporate annual action plan, as well as LGR implementation.</p> <p>Mitigation: Council increased the LGR Reserve by £1m to fund any additional capacity requirements over those proposed in the budget proposals.</p>

RISK		DESCRIPTION AND ANY MITIGATION
Interest Rates		<p>Risk: Whilst interest rates remain low at 0.5% there is now an expectation that they will rise to at least 1% over the next two financial years to help curb rising inflation rates. SSDC has a high Capital Financing Requirement (indebtedness) and currently borrows on a short-term basis through peer-to-peer lending, which is cheap and does not fetter the flexibility of the new Somerset Council to manage its future borrowing needs.</p> <p>Mitigation: Regular meetings with our external Treasury Management advisers are held to inform us of the potential risks and any need for action. A 0.75% interest rate is assumed in the 2022/23 budget estimates. Council agreed an increase of £0.350m in the Treasury Management Reserve to fund any rise of interest rates to 1% in 2022/23. Discussions are being held with the S151 officers in the other Somerset councils on whether some long-term borrowing should be acquired in order to fix interest rates for some of the borrowing needed.</p>

RISK		DESCRIPTION AND ANY MITIGATION
Pay Award		<p>Risk: The 2021/22 pay award for local government services employees remains unresolved, as the unions have rejected the employer's offer. Negotiations on the pay award for 2022-23 do not form part of this year's dispute and will be considered separately once the pay award for 1 April 2021 has been finalised. There is a risk that the pay award maybe above the amounts estimated in the budget proposals.</p> <p>Mitigation: SSDC holds sufficient reserves to fund any increase for this year and next.</p>

RISK		DESCRIPTION AND ANY MITIGATION
Price Inflation		<p>Risk: General inflation is at its highest level for thirty years and some commentators expect it to peak at 10% later in 2022. Construction inflation is currently running at 20% to 40%.</p> <p>Mitigation: The risk is most acute for the delivery of the capital programme. Whilst agreed budgets for the council's major projects already have a contingency amount within the approved budget, the CFO proposed the creation of a corporate capital contingency of £4m in 2022/23 to help mitigate this risk. Council agreed this proposal at its budget meeting in February 2022.</p>

RISK		DESCRIPTION AND ANY MITIGATION
Business Rates, Income		<p>Risk: The funding from business rates is based on the accurate calculation of the NNDR1 form. There is volatility in the estimates due to various factors, such as anticipated discretionary and mandatory reliefs, growth in the rateable value, bad debts, and volume of appeals. All of these factors can affect the surplus or deficit position on the collection fund that will affect the next financial year's revenue budget.</p> <p>Mitigation: The Collection Fund estimates for 2022/23 have been produced using recommended guidance from CIPFA (Chartered Institute of Public Finance & Accountancy), and a review of the figures has been undertaken by LG Futures, an external consultancy firm.</p>

RISK		DESCRIPTION AND ANY MITIGATION
Covid-19		<p>Risk: The pandemic could continue in 2022/23 and in future years in a way, that requires further responses which impacts on the Councils service provision and/or financial standing.</p> <p>Mitigation: In this instance, as we have seen during the past two financial years, we would be expecting the Government to be stepping in to support the entire sector if the impacts were high.</p>

8. 2020/21 Statement of Accounts

The Statement of Accounts sets out the financial performance of the Council for the year ended 31 March 2021 and its financial position at that date. It comprises core and supplementary statements together with disclosure notes.

The format and content of the financial statements are prescribed by the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

The Code requires that the accounts give a true and fair view of the financial position of the Council and are prepared on the basis that the Council is a going concern. In line with the Code, suitable accounting policies have been applied, and where necessary, prudent judgements and estimates have been made.

The Statement also includes the financial performance and position of the

Council's subsidiaries Elleston Services Ltd and SSSC Opium Power Limited.

The purpose of each of the key Statements are described below.

Expenditure and Funding Analysis

The Expenditure and Funding Analysis essentially reconciles the figures given in the budget outturn position to those included in the Comprehensive Income and Expenditure Statement (CIES) which follows the Analysis.

The CIES shows the accounting cost for the year of providing the Council's services. This is not the same as the budget outturn information. The accounting cost is determined in accordance with generally accepted accounting principles (contained within the Code) whilst the budget, and the year-end outturn against the budget, has to comply with local government legislation.

The Code requires that councils make a number of adjustments to the budget outturn results to determine the accounting costs and income shown in the Statement of Accounts. For example, large adjustments are made for the accounting treatment of fixed assets (depreciation) and pension costs. These costs, whilst shown in the CIES because they are required under accounting standards, are not included in the Council's annual budget nor funded from Council Tax.

The inclusion of such costs in the CIES is to enable comparison of a council's Statement of Accounts with other organisations, both public and private sector.

The Expenditure Funding Analysis therefore allows a link to be made between year-end outturn against the budget to the financial position as set out in the financial statements.

Comprehensive Income and Expenditure Statement (CIES)

The CIES records all of the Council's income and expenditure for the year and has two parts:

- The first part reflects the accounting cost of providing the Council's services with the results summarised at the Surplus or Deficit on the Cost of Services line. In the private sector this would be equivalent to the profit or loss of a company.
- The second part, showing other comprehensive income and expenditure, shows the gains or losses in the measurement of the council's assets and liabilities. These gains and losses arise as a result of changes in market valuations, interest rates or changes in measurement assumptions in relation to pension liabilities.

Movement in Reserves Statement (MIRS)

The MIRS shows the movement from the start of the year to the end on the different reserves held by the council. It shows how the movements are broken down between gains and losses incurred in accordance with the Code and the statutory adjustments required to return to the amounts chargeable to the budget as required under local government legislation.

Reserves are important to local authorities as, unlike central government, they cannot borrow money over the medium term, unless given permission from central government, other than for investment in assets, and they are required to balance their budgets on an annual basis. They are therefore a vital part of prudential financial management and help reduce the financial risks mentioned earlier in this Narrative Report.

Reserves are analysed into two categories: usable and unusable.

Usable reserves

- Result from the Council's activities
- Members are involved in deciding on the levels maintained and their use
- Can be spent in the future
- Include: general fund balance, earmarked reserves, capital receipts reserve, and capital grants unapplied

Unusable reserves

- Derive from accounting adjustments
- Cannot be spent
- Include: revaluation reserve and capital adjustment account

Balance Sheet

The Balance Sheet provides a "snapshot" of the Council's position at a specific point in time showing what it owns and owes as at 31 March 2020. It is very similar to other public sector or private sector balance sheets.

The Balance Sheet is always divided into two halves that should, as the name suggests, balance:

- Net Assets (the top half), and
- Reserves (the bottom half).

Cash Flow Statement

This shows the reason for changes in the Council's cash balances during the year, and whether that change is due to operating activities, new investment, or financing activities (such as repayment of borrowing and other long term liabilities).

The statement also includes "cash equivalents" which are short term investments that are readily convertible into cash and which are subject to only insignificant risks of changes in value.

Cash flows are related to the income and expenditure seen in the CIES but are not the same as them. The difference arises from the accruals concept, whereby income and expenditure are recognised in the CIES when the transactions occurred, and not when the cash was paid or received.

Collection Fund

The Collection Fund shows the total income received by the Council from Business Rates and Council Tax and how the redistribution of some of that money to Somerset County Council, the Police Authority, and central government.

Group Financial Statements

Group accounts need to be prepared if the council has a significant subsidiary such as a trading company. The Group Accounts report the full extent of the assets and liabilities of the Council and the companies and similar entities which the Council either controls or significantly influences.

The Council is presenting Group Accounts by consolidating the financial performance and position of Elleston Services Ltd and SSDC Opium Power Limited into the overall group.

South Somerset District Council wholly owns (100%) Elleston Services Ltd which was established in April 2019 to deliver Landscape Services. The company did not trade in 2020/21 and is currently revising its Business Plan to take account of changed circumstances arising from the Covid-19 pandemic.

The Council has 50% ownership in SSDC Opium Power Limited. The company is a subsidiary as, despite the ownership ratio, the Council has the right to exercise control with a deciding vote on the Board. The company was established in 2018 to deliver green energy schemes (battery energy storage). The company made a trading loss of £654k during 2020/21 as full capacity has only been reached in 2021/22. The accounts for both of these companies can be reviewed at Companies House. The external auditors for both entities are Old Mill Accountants and Financial Planners.

Additional disclosures

The notes to the financial statements include important information and provide the context and detail for the figures in the primary financial statements.

Accounting Policies

These set out the accountancy rules the Council has followed in preparing the financial statements. They are largely specified by International Financial Reporting Standards and CIPFA's Code of Practice.

There have been no changes made to the accounting policies in the year.

Critical Judgements

Show the key areas where officers and third party experts have made judgements about the application of accounting policies. The aim is to highlight key areas of the accounts where others may have made different judgements about the accounting treatment.

These are set out in note 2 under "Notes to the Core Financial Statements".

Property, plant & equipment

The notes gives a lot of detail about assets acquired and disposed of during the year, whether they have been revalued, the impact of any changes in value, and the amount of depreciation charged.

These are set out in notes 15 and 16 under "Notes to the Core Financial Statements".

Independent auditor's report to the members of South Somerset District Council

The independent auditor's report will appear here following the conclusion of the Statement of Accounts audit and approval by the Audit Committee.

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Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The council is required to: -

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that responsibility rests with the S151 Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts

S151 Officer Responsibilities

The S151 Officer is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing this statement of accounts, the S151 officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the CIPFA Code of Practice.

The S151 officer has also:

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

Certification of the Accounts

This Statement of Accounts presents a true and fair view of the financial position of South Somerset District Council at the reporting date and of its income and expenditure for the year ended 31 March 2021.

Signed

K Watling CPFA
S151 Officer

30 July 2021

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the authority's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

The Statement of Accounts has been prepared on a 'going concern' basis. However, it should be noted that as part of the restructuring of local government in Somerset, South Somerset District Council will cease to exist with effect from 31st March 2023 and the assets and liabilities of the Council will transfer to the newly created authority.

2. Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract. With effect from 1st April 2018, IFRS15 *Revenue from Contracts with Customers* has been adopted, which resulted in no material impact to the council's recognition of revenues.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of changes in value. The council will include deposits in Money Market Funds and Business Reserves in Cash Equivalents.

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

4. Changes in Accounting Policies and Estimates and Errors

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

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

5. Charges to Revenue for Non-Current Assets

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

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

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

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

6. Council Tax and Non Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and National Non-Domestic Rates

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

7. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

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

Post-Employment Benefits

Employees of the Authority are members of the Local Government Pension Scheme administered by Somerset County Council, which provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the authority.

The Local Government Pension Scheme (LGPS)

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

- The liabilities of the Somerset County Council Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to the retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). This is consistent with the approach used at the previous accounting date.
- The assets of the Somerset County Council Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - quoted securities - current bid price.
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value

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

- Service cost comprising:
 - Current service cost – the increase in liabilities as a result of years of service earned this year is allocated to the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - Past service costs – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years is debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
 - Net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
 - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Somerset County Council Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the authority to the pension

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

Discretionary Benefits

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

8. Events after the Reporting Period

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

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

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

9. Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the council. The majority of the council's financial liabilities held during the year are measured at amortised cost and comprised:

- short-term loans from other local authorities,
- long-term loans from the Public Works Loan Board and commercial lenders
- lease payables
- trade payables for goods and services received.

Financial Assets

A financial asset is a right to future economic benefits controlled by the council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the council. The financial

assets held by the council during the year are accounted for under the following classifications:

- Amortised cost (where cash flows are solely payments of principal and interest and the council's business model is to collect those cash flow) comprising:
 - cash in hand,
 - bank current and deposit accounts,
 - fixed term deposits with banks and building societies,
 - loans to other local authorities,
 - certificates of deposit
 - treasury bills and gilts issued by the UK Government,
 - bonds issued by multilateral development banks and large companies,
 - loans made for service purposes,
 - lease receivables, and
 - trade receivables for goods and services provided.

- Fair value through profit and loss (all other financial assets) comprising:
 - money market funds
 - pooled bond, equity and property funds
 - equity investments,
 - covered bonds issued by banks and building societies
 - loans where the cash flows are not solely payments of principal and interest,
 - structured deposits with banks and building societies, and
 - forward contracts on fixed rate investments and loans where interest rates have moved in the council's favour since the contract was agreed.

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the council.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant fair value through other comprehensive income), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on the basis of 12-month expected losses.

Fair Value Measurement

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills

and shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2021.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2021, using the following methods and assumptions:

- Loans borrowed by the council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- The fair values of finance lease assets and liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

10. Government Grants and Contributions

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

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

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

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

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

11. Heritage Assets

A heritage asset is an asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. There is no requirement for valuations for heritage assets to be verified by external auditors, nor is there any prescribed minimum period between valuations. Where the cost of obtaining valuation information is not commensurate with the benefits, the council will not recognise these assets in the Balance Sheet.

The council's heritage assets are predominantly the museum stock that is held at the Community Heritage Access Centre (CHAC).

The Authority recognises these collections on the Balance Sheet using its base as the detailed insurance valuations held by the Authority in respect of the collections. The collections are deemed to have indeterminate lives; hence the Authority does not consider it appropriate to charge depreciation.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment. Disposals of any heritage assets are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

13. Interests in Companies and Other Entities

The authority has material interest in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the authority's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

14. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO (first in first out) costing formula.

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

15. Investment Properties

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

16. Joint Operations

Joint operations are arrangements where the parties that have control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises:

- Its assets, including its share of any assets held jointly
- Its liabilities, including its share of any liabilities incurred jointly
- Its revenue from the sale of its share of the output arising from the joint operation
- Its share of the revenue from the sale of the output by the joint operation
- Its expenses, including its share of any expenses incurred jointly.

17. Leases

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

The finance leases recorded in the Statement of Accounts are due to the fact that:

- The lease term is for the major part of the economic life of the asset
- The present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset

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

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Authority as Lessor

Finance Lease

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

Lease rentals are apportioned between:

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

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

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

Operating Leases

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

18. Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

19. Property, Plant and Equipment

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

Recognition

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

- The expenditure incurred is below £10,000, except Capital Grants where the limit is £250. In such cases expenditure is charged direct to the revenue accounts.

- The asset is acquired through an operating lease when rental payments are charged to the revenue account.

Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use (such as purchase price; any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management).

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

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- All other assets – fair value, determined as the amount that would be paid for the asset in existing use (existing use value – EUV).

Where there is no market based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Assets included in the balance sheet at current value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant and equipment - straight-line allocation over the life of the asset.
- Infrastructure – straight-line allocation over the life of the asset.

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

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

Where an asset includes a number of components with significantly different asset lives, these components are then treated as separate assets and depreciated over their own useful economic lives. See Component Accounting policy.

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

Assets that are sold during the year are treated as if sold on 31 March and the service accounts receive a full year's charge for depreciation as appropriate. Assets acquired during the year attract no charge.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use,

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

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

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

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

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

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

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

Component Accounting

Components of non-current assets do not always have the same useful lives and may depreciate or wear out at different rates throughout their life. Therefore, it is appropriate to depreciate each significant component separately over its useful life, in order that the Comprehensive Income & Expenditure Account is fairly charged with the consumption of economic benefits of those assets.

Where a significant component is expected to wear out more quickly than the overall asset, it is depreciated over a shorter period of time and any subsequent expenditure on restoring or replacing the component is capitalised (with any carrying amount of the replaced component being written off to the Comprehensive Income and Expenditure Statement).

From 1st April 2010, components will be recognised when an asset is enhanced, acquired or re-valued. Where a component is replaced or restored, the carrying amount of the old component is derecognised.

- Land and individual buildings will be valued separately.
- Assets are deemed to be material and considered for componentisation when the cost or value in the Balance Sheet is at least £500,000 (approximately 1% of the authority's non-current assets).
- Each asset will be reviewed individually by the valuer to determine whether any part of a material asset has a differing useful life or method of depreciation. The assets will be reviewed by the following:
 - Sub Structure
 - Superstructure (frame, upper floors, roof, stairs, external walls, windows, external doors, internal walls, partitions, internal doors)
 - Internal finishes (walls, floors and ceilings)
 - Fixtures (sanitary, water, disposal equipment)
 - Engineering services (heating, air treatment, gas installations, lifts, protective, communications)
 - External works
- Where component spend is worth 20% of the total cost value of the asset it is deemed to be significant. Where information is not readily available to determine the value of components, a best estimate will be accounted for and detail of how the estimate was arrived at, in liaison with relevant professional advice, will be documented.

20. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the authority has an obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

21. Related Party Transactions

The council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the authority or to be controlled or influenced by the authority.

The materiality of the transaction has been considered before justifying inclusion in the statements. Transactions disclosed elsewhere in the statement of accounts are not cross referenced in the note. Disclosure is only required where the authority has gone beyond providing financial assistance to having a relationship with the assisted organisation that allows it to exert control over the organisation's financial and operational policies.

22. Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Authority.

23. Revenue Expenditure Funded from Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of non-current assets has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so there is no impact on the level of council tax.

24. VAT

The council does not include VAT as part of income or expenditure, whether of a capital or revenue nature except where it is not able to recover VAT.

Comprehensive Income and Expenditure Statement (Brackets represent income)

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserve Statement.

Restated Gross Expenditure year ended 31-Mar-20	Restated Gross Income year ended 31-Mar-20	Restated Net Cost of Services year ended 31-Mar-20	Service	Note Number	Gross Expenditure year ended 31-Mar-21	Gross Income year ended 31-Mar-21	Net Cost of Services year ended 31-Mar-21
£'000	£'000	£'000			£'000	£'000	£'000
1,273	(81)	1,192	Chief Executive		2,091	(281)	1,810
20,621	(10,254)	10,367	Director of Commercial Services and Income Generation		18,947	(7,519)	11,428
41,132	(33,748)	7,384	Director of Service Delivery		51,303	(34,908)	16,395
5,676	(1,264)	4,412	Director of Strategy and Commissioning		4,778	(557)	4,221
6,657	(784)	5,873	Director of Support Services		14,020	(10,002)	4,018
75,359	(46,131)	29,228	Cost of Services		91,139	(53,267)	37,872
5,474	(851)	4,623	Other Operating expenditure	10	5,881	(700)	5,181
	(11)	(11)	Net Loss/(Gain) on Disposal of Property, Plant and Equipment	12	14	0	14
5,356	(2,880)	2,476	Financing and Investment Income and Expenditure	13	572	(2,149)	(1,577)
	(28,019)	(28,019)	Taxation and Non-Specific Grant Income	14	0	(31,617)	(31,617)
86,189	(77,892)	8,297	(Surplus)/Deficit on Provision of Services		97,606	(87,733)	9,873
		3,670	(Surplus)/Deficit on revaluation of Property, Plant and Equipment	32			(4,932)
		3,208	(Surplus)/Deficit on revaluation of Pooled Funds	32			(2,117)
		995	Re-measurement of the Net Defined Benefit Liability	46			17,034
		(30)	Share of Other Income and Expenditure of Joint Operations	20			(12)
		7,843	Other Comprehensive Income and Expenditure				9,973
		16,140	Total Comprehensive Income and Expenditure				19,846

Movement in Reserves Statement

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

	General Fund Balance	Earmarked Reserves	Total General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Joint Operations Reserves	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2019	(4,594)	(17,506)	(22,100)	(22,798)	(1,694)	(608)	(47,200)	19,185	(28,015)
Movement in reserves during 2019/20:									
Total Comprehensive Income and Expenditure	8,297	0	8,297	0	0	(30)	8,267	7,873	16,140
Adjustments between accounting basis and funding basis under regulations (note 9)	(13,174)	0	(13,174)	4,365	(807)	0	(9,616)	9,616	0
Net Increase/Decrease before transfers to Earmarked Reserves	(4,877)	0	(4,877)	4,365	(807)	(30)	(1,349)	17,489	16,140
Transfers (to)/from Earmarked Reserves (note 31)	(4,371)	4,371	0	0	0	0	0	0	0
(Increase)/Decrease in 2019/20	(506)	(4,371)	(4,877)	4,365	(807)	(30)	(1,349)	17,489	16,140
Balance at 31 March 2020	(5,100)	(21,877)	(26,977)	(18,433)	(2,501)	(638)	(48,549)	36,674	(11,875)
Movement in reserves during 2020/21:									
Total Comprehensive Income and Expenditure	9,873	0	9,873	0	0	(12)	9,861	9,985	19,846
Adjustments between accounting basis and funding basis under regulations (note 9)	(25,171)	0	(25,171)	211	(5,284)	0	(30,244)	30,244	0
Net Increase/Decrease before transfers to Earmarked Reserves	(15,298)	0	(15,298)	211	(5,284)	(12)	(20,383)	40,229	19,846
Transfers to/from Earmarked Reserves (note 31)	16,351	(16,351)	0	0	0	0	0	0	0
(Increase)/Decrease in 2020/21	1,053	(16,351)	(15,298)	211	(5,284)	(12)	(20,383)	40,229	19,846
Balance at 31 March 2021	(4,047)	(38,228)	(42,275)	(18,222)	(7,785)	(650)	(68,932)	76,903	7,971

Balance Sheet (Brackets represent liabilities)

The Balance Sheet is a 'snapshot' of the council's financial position at a specific point in time, showing what it owns and owes at 31st March. The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the council. The net assets of the council (assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories. The first category of reserves is 'Usable Reserves' i.e. those reserves that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences in the Movement in Reserve Statement line 'adjustments between accounting basis and funding basis under regulations'.

As at 31 March 2020 £'000		Note No.	£'000	As at 31 March 2021 £'000
47,011	Property, Plant & Equipment	15	47,416	
71,973	Investment Properties	17	79,809	
1,083	Intangible Assets		710	
638	Investment in Joint Ventures	20	650	
0	Assets Held for Sale	18	490	
1,792	Heritage Assets	21	1,792	
2,106	Long Term Investments	33	0	
17,417	Long Term Debtors	22	33,827	
142,020	TOTAL LONG TERM ASSETS			164,694
28,471	Short Term Investments	33	24,899	
4,592	Inventories	23	4,923	
10,909	Short Term Debtors	25	33,288	
2,009	Cash & Cash Equivalents	26	490	
293	Bank Accounts	26	613	
46,274	CURRENT ASSETS			64,213
(79,500)	Short term Borrowing	27	(98,000)	
0	Bank Overdraft	26	0	
(1,048)	Third Party Cash	26	(1,091)	
(10,923)	Short term Creditors	28	(31,149)	
(91,471)	CURRENT LIABILITIES			(130,240)
(880)	Provisions	30	(740)	
(4,091)	Developers Contributions Deferred	31	(4,829)	
(23)	Long Term Liabilities – Creditors	29/34	(33)	
(20)	Long Term Liabilities – Finance Lease	45/34	(5)	
(79,934)	Liability related to defined benefit pension scheme	47	(101,031)	
(84,948)	LONG TERM LIABILITIES			(106,638)
11,875	NET ASSETS			(7,971)
47,911	Usable Reserves	32	68,282	
638	Usable Reserve – Share in Joint Operations	32/21	650	
(36,674)	Unusable Reserves	33	(76,903)	
11,875	TOTAL RESERVES		(7,971)	(7,971)

Cash Flow Statement (Brackets on this page represent income)

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

Year Ended 31 March 2020 £'000		Year Ended 31 March 2021 £'000
(8,297)	Net surplus/(deficit) on the provision of services	(9,873)
12,459	Adjustments to net surplus or deficit on the provision of services for non-cash movements (note 34)	10,151
(1,106)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (note 34)	(1,817)
3,056	Net cash flows from operating activities	(1,539)
(61,562)	Investing Activities (note 35)	(18,188)
59,969	Financing Activities (note 36)	18,485
1,463	Net increase or decrease in cash and cash equivalents	(1,242)
(209)	Cash and Cash Equivalents (including bank overdraft) at 1 April (note 25)	1,254
1,254	Cash and Cash Equivalents (including bank overdraft) at 31 March (note 25)	12

The difference between the net figure for Cash and Cash Equivalents shown in the Cash Flow Statement to that in the Balance Sheet is due to £855k held on behalf of Third Parties. Specifically, this relates to funds held in respect the Dorcas House Trust (See note 48), Boden Mill and Chard Regeneration Scheme and the Yeovil Cemetery and Crematorium Burial Committee.

Notes to the Core Financial Statements

(Please be aware that there may be minor rounding differences in some of these notes).

1. Accounting standards that have been issued but have not yet been adopted

Paragraph 3.3.4.3 of the Code of Practice requires that the Authority discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2020 for 2019/20).

In compiling the 2020/21 accounts there are no material effects in relation to these standards.

In response to the Covid 19 pandemic, CIPFA/LASAAC deferred the implementation of IFRS 16 Leases in the public sector until the 2022/23 financial year with an effective date of 1 April 2022. This will require lessees to recognise assets subject to leases as right-of-use assets on their balance sheet, along with corresponding lease liabilities (there are exceptions for low-value and short-term leases).

2. Critical Judgements in applying accounting policies

In applying the accounting policies, the council has had to make certain judgements about complex transactions or those involving uncertainty about future events. In line with the Code of Practice on Local Authority Accounting section 3.4.2.88 and IAS 1: 122-124 the critical judgements made in the Statement of Accounts are:

- Provision for appeals on business rates

The council collects approximately net £23.7m in business rates. It is in a Pool for the local retention of business rates for 2020/21 and the council's share of the business rates income is 40%. The assumptions around the outcome of appeals against the NNDR valuations (either received to date or expected in future years) represent a material and critical judgement applied to the accounts. The appeals provision is based on experience with the 2010 list and data available to date for the 2017 list. Using this information an assessment is made on the likely success rate of appeals and their value, in particular the check, challenge, appeal process which appears to have resulted in most cases being resolved a check stage and very few challenges progressing to appeal. The council's current share of the appeals provision is £1.380m which has increased from £0.792m in 2019/20. A 1% variance in the determined appeals provision would alter the net locally retained income to the council by approximately £13.8k. Due to the technical adjustments relating to the collection fund adjustment accounts this will not impact the general reserves in that year and only hit the council's general fund account in future years. However, if the net rate income reduces below the levels set by central government the council will be compensated accordingly.

- SSDC Opium Power Limited is a joint venture or subsidiary

Although there is joint control of decisions, SSDC has the right to exercise control with a deciding vote on the Board of SSDC Opium Power Limited. On this basis, using IFRS10 and paragraph 9.1.2.22 of the financial code, the relationship is that of a subsidiary due to the 50% ownership by SSDC. Therefore, full consolidation Group Accounts have been prepared.

3. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with complete certainty, actual results could be materially different from the assumptions and estimates.

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls, conversely if useful lives were increased the carrying amount of assets would increase.</p> <p>If estimated useful lives were reduced by 5 years, the depreciation charge would increase by £2.620m, if however useful lives were to increase by 5 years, the depreciation charge would reduce by £1.656m.</p>
Pension Valuation	The Local Government Pension Scheme, that the council is a member of, holds assets in the form of a Property portfolio. The assets provide returns on the investment to offset the liabilities in the form of pension contributions to members. The council has 7% of its pension assets invested in Real Estate which accounts for £8.389m of the total assets held.	As with the valuation of the council's directly owned assets, there is a similar level of uncertainty of the Pension Scheme property asset value as at the balance sheet date.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The council has engaged Barnett Waddingham as its consulting actuary to provide the authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. A sensitivity analysis is included in the Defined Benefit Pension Schemes (note 47).
Investment Properties	<p>Investment properties are measured (valued) initially at cost and subsequently at fair value, being the price that would be received to sell an asset in the market.</p> <p>Properties are not depreciated but are revalued annually according to market conditions at year end. This takes the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date.</p>	<p>A variation in the annual estimated valuations could result in a movement being recorded inappropriately in the Comprehensive Income and Expenditure Statement.</p> <p>If the value of the council's investment properties were to reduce by 10%, this would result in a charge to the Comprehensive Income and Expenditure Statement of approximately £7.980m</p> <p>If the value of the council's investment properties were to increase by 10%, this would result in a gain to the Comprehensive Income and Expenditure Statement of</p>

		approximately £7.980m.
Arrears	At 31 March 2021, the Authority had a balance for sundry debtors of £3.018m. A review of significant balances suggested that an impairment allowance of £1.005m was appropriate. However, in the current economic climate it is not certain that this will be sufficient.	An understanding of doubtful debts would lead to a future adjustment and impairment to be reflected. The impairment allowances held are based on policies adapted to the nature of the debt and service area, historic experience and success rates experienced in collection. If collection rates were to deteriorate by 5% or 10% then the council would need to review its policies on the calculation of its impairment allowance for doubtful debts.

4. Material items of income and expenditure

Where items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

As part of the Authority's Commercial Strategy, a number of investments have been purchased in 2020/21. These transactions are detailed in the relevant notes.

5. Events after the reporting period

The Statement of Accounts was authorised for issue by the S151 Officer on 30th July 2021. Events taking place after this date are not reflected in the financial statements or notes.

Since the balance sheet date reorganisation of Local Government in Somerset has progressed with a decision taken that a Unitary Authority to replace the current two-tier structure. This will mean that with effect from 31 March 2023 South Somerset District Council will cease to exist as an organisation and the assets and liabilities of the Council will transfer to the newly created authority.

Part of this process means that the spending powers of the council have changed and have to comply with a Section 24 notice. Under section 24 of the Local Government and Public Involvement in Health Act 2007, the Secretary of State has power to make a direction to control disposals, contracts and reserves under which authorities that are to be dissolved (for example the Somerset councils). The notice includes details of what Council's that are to be dissolved can do from a financial perspective in the period before it is dissolved. This includes items such as entering into capital contract exceeding £1m and disposing of land which exceeds £100k.

The economic climate has changed significantly since the balance sheet date. This has resulted in changes in market conditions with interest rates increasing to their highest rate for a number of years. The impact has resulted in an increase in borrowing costs which will continue to be the case. This impact is a non-adjusting post balance sheet event as the impact will be seen in future financial years.

The change in market conditions will impact on the valuation of Property, Plant and Equipment which will affect all single entity and group PPE. The impact in the change in the economic climate will also affect the Pension liability which depends on a number of complex judgements including the rate at which salaries are projected to increase and expected returns on pension fund assets.

6. Expenditure & Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (Government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under Generally Accepted Accounting Practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2019/20				2020/21		
Restated Net Expenditure Chargeable to the General Fund	Restated Adjustments between the Funding and Accounting Basis	Restated Net Expenditure in the Comprehensive Income & Expenditure Statement	Service	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
560	632	1,192	Chief Executive	697	1,113	1,810
6,434	3,933	10,367	Director of Commercial Services and Income Generation	6,215	5,212	11,428
2,662	4,722	7,384	Director of Service Delivery	4,250	12,145	16,395
2,427	1,985	4,412	Director of Strategy and Commissioning	3,165	1,056	4,221
4,274	1,599	5,873	Director of Support Services	878	3,141	4,018
16,357	12,871	29,228	Net Cost of Services	15,204	22,667	37,872
(21,234)	303	(20,931)	Other Income and Expenditure	(30,501)	2,504	(27,999)
(4,877)	13,174	8,297	Surplus or Deficit	(15,297)	25,171	9,873
22,100			Opening General Fund Balance	26,977		
0			Less deficit on General Fund	0		
4,877			Add Surplus on General Fund	15,297		
26,977			Closing General Fund Balance at 31 March	42,275		

Notes to the expenditure and funding analysis

Adjustments between Funding and Accounting Basis 2020/21				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	(Note 1)	(Note 2)	(Note 3)	
	£'000	£'000	£'000	£'000
Chief Executive	600	2	511	1,113
Director of Commercial Services and Income Generation	4,940	1,958	(1,686)	5,212
Director of Service Delivery	11,249	22	874	12,145
Director of Strategy and Commissioning	696	109	251	1,056
Director of Support Services	(1,073)	60	4,154	3,141
Net Cost of Services	16,412	2,151	4,104	22,667
Other income and expenditure from the Expenditure and Funding Analysis	(6,795)	1,911	7,388	2,504
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	9,617	4,062	11,492	25,171

Adjustments between Funding and Accounting Basis 2019/20				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	(Note 1)	(Note 2)	(Note 3)	
	£'000	£'000	£'000	£'000
Chief Executive	537	4	91	632
Director of Commercial Services and Income Generation	7,174	29	(3,270)	3,933
Director of Service Delivery	3,931	34	757	4,722
Director of Strategy and Commissioning	1,944	8	33	1,985
Director of Support Services	(715)	17	2,297	1,599
Net Cost of Services	12,871	92	(92)	12,871
Other income and expenditure from the Expenditure and Funding Analysis	(1,647)	2,251	(301)	303
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	11,224	2,343	(393)	13,174

Note 1: Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Note 2: Net change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS19 *Employee Benefits* pension related expenditure and income:

- **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For **Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

Note 3: Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Segmental Income

2019/20			2020/21	
Revenues from external customers	Grants & Contributions		Revenues from external customers	Grants & Contributions
£'000	£'000		£'000	£'000
6	75	Chief Executive	281	0
14,336	340	Director of Commercial Services and Income Generation	11,487	2,064
3,374	32,503	Director of Service Delivery	3,035	34,773
1,073	193	Director of Strategy and Commissioning	172	385
2,689	893	Director of Support Services	1,921	14,145
21,478	34,004	Total income analysed on a segmental basis	16,896	51,367

7. Expenditure and Income analysed by nature

2019/20		2020/21
£'000	Expenditure/Income	£'000
	Expenditure	
17,780	Employee benefits expenses	20,580
61,973	Other services expenses	72,939
5,316	Depreciation, amortisation, impairment	5,257
367	Interest Payments	(844)
5,472	Precepts and levies	5,879
2	Payments to housing capital receipts pool	2
0	Loss on the disposal of assets	14
90,910	Total Expenditure	103,827
	Income	
(18,522)	Fees, charges and other service income	(18,146)
(11)	(Gain) on the disposal of assets	0
(2,880)	Interest and investment income	(2,149)
(23,873)	Income from council tax and NDR	4,370
(37,327)	Government grants and contributions	(78,030)
(82,613)	Total Income	(93,955)
8,297	Surplus or Deficit on the Provision of Services	9,872

8. Contracts with Service Recipients

Included with income from fees and charges of £17.9m (£18.5m 2019/20) are the following amounts derived from contracts with service recipients as defined by IFRS 15.

Previous year 2019/20 £'000	Service	Current year 2020/21 £'000
(397)	Building Control	(337)
(1,514)	Planning	(1,436)
(2,012)	Car Park Income	(940)
(4,134)	Commercial Rent & Licences	(5,278)
(424)	Other Rents & Wayleaves	(468)
(407)	Careline	(406)
(326)	Licences	(260)
(938)	Waste	(934)
(312)	Land Charges	(439)
(2,336)	Theatre Venues	(112)
(12,801)	Total Income from Contracts with Service Recipients	(10,610)

The performance obligations relating to the key lines of income above are all fulfilled when payment is made except where the charge is for a monthly, quarterly or annual fee or licence where the obligation is discharged within the period.

There are no performance obligations unsatisfied at the balance sheet date.

9. Adjustments between accounting basis and funding basis under regulations

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

The following sets out a description of the reserves that the adjustments are made against:

General Fund Balance

The General Fund is the statutory fund into which all the receipts of a council are required to be paid and out of which all liabilities of the council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the council is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Table on following page

2020/21	Movement in Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserves	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000
Adjustments involving the Capital Adjustment Account:				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</i>				
Charges for depreciation, amortisation and impairment of non-current assets	(2,792)	0	0	(2,792)
Revaluation losses on Property, Plant and Equipment	(2,465)	0	0	(2,465)
Capital grants and contributions applied	1,836	0	192	2,028
Capital grants and contributions unapplied	5,477	0	(5,477)	0
Revenue expenditure funded from capital under statute	(10,795)	0	0	(10,795)
Movement in market value of Investment Property	(2,510)	0	0	(2,510)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(155)	0	0	(155)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>				
Statutory provision for the financing of capital investment	828	0	0	828
Capital expenditure charged against the capital fund	120	0	0	120
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure	841	(841)	0	0
Use of Capital Receipts Reserve to finance capital expenditure		2,026	0	2,026
Transfer from the Deferred Capital Receipts reserve to the Capital Receipts Reserve upon receipt of cash	0	(976)	0	(976)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(2)	2	0	0
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 47)	(7,799)	0	0	(7,799)
Employer's pensions contributions and direct payments to pensioners payable in the year	3,736	0	0	3,736
Adjustments involving the Collection Fund Adjustments Account:				
Amount by which council tax income and non-domestic rates credited to the Comprehensive Income and Expenditure Statement is different from council tax income and non-domestic rates calculated for the year in accordance with statutory requirements	(11,456)	0	0	(11,456)

Adjustment involving the Accumulating Compensated Absences Adjustment Accounts:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(36)	0	0	(36)
TOTAL ADJUSTMENTS	(25,171)	211	(5,284)	(30,244)

10. Other operating income and expenditure

Previous year 2019/20 £'000		Current year 2020/21 £'000
5,472	Parish council precepts and levies	5,879
2	Payments to the Government housing Capital Receipts Pool	2
5,474	Total Other Operating Expenditure	5,881
(851)	Easements and other Capital Receipts (note 11)	(700)
4,623	Total Other Operating Income and Expenditure	5,181

11. Easements and other capital receipts

The council received £682k in Right to Buy receipts (compared to £819k in 2019/20) and a further £18k in other capital receipts (£32k in 2019/20).

12. Net gain/loss on disposal of plant, property and equipment

The net loss on disposal of plant, property and equipment amounts to £14k (compared to a net gain of £11k in 2019/20)

13. Financing and investment income and expenditure

Previous year 2019/20 £'000		Current year 2020/21 £'000
367	Interest Payable and similar charges	966
2,251	Net interest on the net defined benefit liability	1,911
(263)	(Surplus)/Deficit on Trading Undertaking (note 38)	(211)
3,001	(Surplus)/Deficit on Investment Properties (note 17)	(2,107)
5,356	Total Financing and Investment Expenditure	559
(2,880)	Interest receivable and similar income	(3,959)
2,476	Total Financing and Investment Income and Expenditure	(3,400)

14. Taxation and non-specific grant income

Previous year 2019/20 £'000		Current year 2020/21 £'000
(15,498)	Council tax income	(16,217)
(8,375)	Non domestic rates	(6,554)
(4,146)	Non ring-fenced government grants	(9,082)
(28,019)	Total Taxation and Non Specific Grant Income	(31,853)

15. Property, plant and equipment

Movement in 2020/21:

	Total Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infra-structure Assets £'000	Com-munity Assets £'000	Surplus Assets £'000	Total Property Plant & Equipment £'000
Cost or Valuation	44,945	5,189	1,097	726	0	51,957
As at 1 April 2020						
Additions	601	159	0	86	0	846
Disposals	(170)	(0)	0	0	0	(170)
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	4,933	(0)	0	0	0	4,932
Revaluation Increases/(decreases) recognised in the surplus/deficit on the provision of Services	(4,095)	(802)	0	0	0	(4,897)
Impairment (losses)/reversals recognised in the surplus/deficit on the provision of services	(130)	17	0	0	0	(113)
Reclassification - Other	(576)	0	0	0	0	(576)
As at 31 March 2021	45,508	4,562	1,097	812	0	51,979
Accumulated Depreciation						

As at 1 April 2020	(2,793)	(2,000)	(152)	0	0	(4,945)
Depreciation charge	(1,338)	(877)	(16)	0	0	(2,232)
Depreciation written out to the surplus/deficit on the Provision of Services	2,094	500	0	0	0	2,593
Derecognition – Disposals	15	0	0	0	0	15
Derecognition – Reclassification	5	0	0	0	0	5
As at 31 March 2021	(2,017)	(2,378)	(168)	0	0	(4,563)
Net Book Value						
At 31 March 2021	43,490	2,184	929	812	0	47,416
At 31 March 2020	42,152	3,189	945	726	0	47,012

Comparative movements in 2019/20:

	Total Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Com-munity Assets	Total Property Plant & Equipment
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation					
As at 1 April 2019	51,467	4,496	1,097	698	57,758
Additions	865	856	0	28	1,749
Disposals	0	(30)	0	0	(30)
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	(3,660)	(13)	0	0	(3,673)
Revaluation Increases/(decreases) recognised in the surplus/deficit on the provision of Services	(3,944)	(97)	0	0	(4,041)
Impairment (losses)/reversals recognised in the surplus/deficit on the provision of services	217	0	0	0	217
As at 31 March 2020	44,945	5,212	1,097	726	51,980
Accumulated Depreciation					
As at 1 April 2019	(2,687)	(1,189)	(136)	0	(4,012)
Depreciation charge	(1,283)	(877)	(16)	0	(2,176)
Depreciation written out to the surplus/deficit on the Provision of Services	1,177	13	0	0	1,190
Derecognition – Disposals	0	30	0	0	30
Derecognition – Reclassification	0	0	0	0	0
As at 31 March 2020	(2,793)	(2,023)	(152)	0	(4,968)
Net Book Value					
At 31 March 2020	42,152	3,189	945	726	47,012
At 31 March 2019	48,779	3,307	961	698	53,746

16. Property, Plant and Equipment valuation

All property, plant and equipment owned by South Somerset District Council have been valued on a five year rolling programme by SSDC's internal valuers. This year the internal valuers were Robert Orrett; BSc MRICS, RICS Registered Valuer and Brendan Fisher; BA(Hons) MSc MRICS, RICS Registered Valuer – in accordance with the Statements of Asset Valuation Practice and Guidance Notes of The Royal Institute of Chartered Surveyors. Not all assets are inspected each year, as this is neither practicable nor considered by the valuer to be necessary for the purposes of the valuation. The basis of valuation is as set out in the Statement of Accounting Policies. The effective date of revaluation is 31st December 2020.

The council has been given assurance by the internal valuers that the carrying value of assets not revalued within year is not materially different to the fair value of the assets.

Please refer to note 4 for disclosure on the material uncertainty.

The following table shows the progress of the rolling programme:

	Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Total
	£'000	£'000	£'000	£'000	£'000
Valued at historical cost	0	57	793	694	1,544
Valued at current value at:					
31 st December 2016	3,872	490	136	32	4,530
31 st December 2017	4,975	232	0	0	5,207
31 st December 2018	2,736	48	0	0	2,784
31 st December 2019	4,958	726	0	0	5,684
31 st December 2020	26,949	639	0	86	27,674
Total	43,490	2,192	929	812	47,423

17. Investment Property

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

Previous year		Current year
2019/20		2020/21
£'000		£'000
(4,275)	Rental Income from Investment Property	(5,744)
1,852	Operating Expenses and Financing costs arising from Investment Property	1,127
5,424	Net gains / Losses from fair value adjustments	2,510
3,001	As at 31 March 2021	(2,107)

The following table summarises the movement in the fair value of Investment Property over the year:

Previous year 2019/20 £'000		Current year 2020/21 £'000
26,109	Balance as at 1 April	71,973
51,295	Additions	10,313
(5,424)	Net gains / (losses) from fair value adjustments	(2,510)
(7)	Disposals	0
0	Transfers: (To)/from Property, Plant & Equipment	33
71,973	As at 31 March 2021	79,809

Details of the council's Investment Properties and Information about the Fair Value Hierarchy are as follows:

Previous year 2019/20 £'000	Significant Unobservable Inputs (Level 2)	Current year 2020/21 £'000
6,070	Commercial Building	7,250
5,220	Small Business Unit	4,465
12,265	Retail	10,158
25,600	Offices	24,742
22,310	Industrial	23,250
0	Leisure	2,550
198	Other	364
310	Historic	330
0	Alternative	6,700
71,973	Investment Property	79,809

The valuation technique applied in respect of all the Fair Value figures was the market approach, which is described in paragraphs 85 to 87 of IFRS 13. It uses prices paid and other relevant information generated by market transactions involving directly comparable (i.e. similar) assets.

The inputs to this technique constitute Level 2 inputs in each instance. Level 2 inputs are inputs that are observable for the asset, either directly or indirectly. The inputs used took the form of analysed and weighted market evidence such as sales, rentals, yields and costs in respect of comparable properties in the same or similar locations at or around the valuation date.

18. Assets Held for Sale

Previous year 2019/20 £'000		Current year 2020/21 £'000
0	Balance at the start of the year	0
0	Transfers to/from Property Plant and Equipment	490
0	Balance at the end of the year	490

19. Capital commitments

At the 31 March 2021, the council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2021/22 and future years budgeted to cost £4.161m. Similar commitments as at 31 March 2020 were £14.388m. The major commitments are:

- Chard Leisure Centre - £3.000m
- Westminster Street (Yeovil Refresh) - £0.831m
- Decarbonisation of buildings - £0.330m

20. Joint Venture

The council is part of a joint venture called Lufton 2000, with Abbey Manor Developments Ltd, to purchase and develop 30 acres of industrial land at Lufton. The initial contribution was £351k in 1999/2000. The draft unaudited accounts of the joint operation for the year ended 31 March 2021 disclose net assets of £1.298m and a net profit of £24k. SSDC and Abbey Manor Developments Ltd hold the shares joint each with a 50% interest.

SSDC Opium Power Ltd is now treated as a subsidiary.

31 March 2020		31 March 2021
£'000		£'000
638	Lufton 2000	650
638	Investment in Joint Operations/Ventures	650

31 March 2020		31 March 2021
£'000		£'000
638	Lufton 2000	650
638	Useable Reserves – Share in Joint Operations/Ventures	650

31 March 2020		31 March 2021
£'000		£'000
(30)	Lufton 2000	(12)
(30)	Share of Other Income and Expenditure in Joint Operations/Ventures	(12)

21. Heritage Assets

31 March 2020		31 March 2021
£'000		£'000
1,789	Balance at start of year	1,792
0	Additions	0
3	Revaluations/(Impairments)	0
1,792	Total Heritage Assets	1,792

22. Long term debtors

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

31 March 2020		31 March 2021
£'000		£'000
17,122	Loans	33,551
3	Mortgages	1
276	Rights to receipts – long term lease	270
16	Car/bike/learning loans	5
17,417	Total Long Term Debtors	33,827

The loans figures relate mainly to the commercial loans made to SSDC Opium Power Limited. The loans are asset backed and a valuation report in respect of the sites has been provided. Further information relating to long-term debtors is contained within Note 34 on Financial Instruments.

23. Inventories

2019/20				2020/21		
SSDC Consumables	Property Acquired or constructed for sale	Total		SSDC Consumables	Property Acquired or constructed for sale	Total
£'000	£'000	£'000		£'000	£'000	£'000
133	3,684	3,817	Balance 1 April	120	4,472	4,592
9	788	797	Purchases	96	255	351
(22)	0	(22)	Expenses in year	(20)	0	(20)
120	4,472	4,592	Balance 31 March	196	4,727	4,923

24. Short term debtors

31 March 2020		31 March 2021
£'000		£'000
497	Central Government Bodies	14,732
363	Other Local Authorities	8,232
2	NHS Bodies	35

10,047	Other Entities and Individuals	10,289
10,909	Total Short Term Debtors	33,288

25. Cash and cash equivalents

Cash and cash equivalents are investments which are readily convertible (within 24 hours) and are subject to an insignificant risk of changes in value. The balance of Cash and cash equivalents is made up of the following elements:

31 March 2020 £'000		31 March 2021 £'000
11	Cash held by the Authority	10
1,998	Short-term deposits with Business Reserve accounts and Money Market Funds	480
2,009	Total Cash and Cash Equivalents	490
0	Bank overdrafts	0
293	Bank Accounts	613
(1,048)	Cash held on behalf of others	(1,091)
1,254	Net Cash and Cash Equivalents as per cashflow statement	12

The cash held on behalf of others relates to funds held in respect the Dorcas House Trust (See note 49), Boden Mill and Chard Regeneration Scheme and the Yeovil Cemetery and Crematorium Burial Committee.

26. Short-term Borrowings

31 March 2020 £'000		31 March 2021 £'000
(79,500)	Other Local Authorities	(98,000)
0	Other Entities and Individuals	0
(79,500)	Total Short Term Borrowing	(98,000)

27. Short-term creditors

31 March 2020 £'000		31 March 2021 £'000
(3,296)	Central Government Bodies	(15,766)
(1,856)	Other Local Authorities	(2,232)
(1)	NHS Bodies	0
(5,770)	Other Entities and Individuals	(13,151)
(10,923)	Total Short Term Creditors	(31,149)

28. Long term liabilities – creditors

31 March 2020 £'000		31 March 2021 £'000
(23)	Other Entities and Individuals	(33)
(23)	Total Long term Liabilities - Creditors	(33)

The long term liabilities – creditors relate to garden waste income for 2020/21 which was paid in advance.

29. Provisions

31 March 2020 £'000		31 March 2021 £'000
(792)	Business Rates Provisions for Appeals	(650)
(88)	MMI Provision	(88)
(880)	Total Provisions	(738)

The Business Rates Provision is reviewed each year to ensure it is adequate. It is used to offset any loss on business rates appeals and is replenished to ensure it mitigates our risk appropriately. During the year we have reduced the provision by £142k.

30. Developers contribution deferred

31 March 2020 £'000		31 March 2021 £'000
(3,679)	Balance at start of year	(4,092)
(851)	Additional Deposits	(969)
438	Applied Deposits	232
(4,092)	Total Developers Contribution Deferred	(4,829)

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

31. Usable Reserves

31 March 2020 £'000		31 March 2021 £'000
(5,100)	General Fund Balance	(4,047)
(21,877)	Earmarked Reserves	(38,228)
(18,433)	Capital Receipts Reserve	(18,222)
(2,501)	Capital Grants Unapplied	(7,785)
(638)	Authority's share of Joint Operation	(650)
(48,549)	Total Usable Reserves	(68,932)

Capital Receipts Reserve

31 March 2020 £'000		31 March 2021 £'000
(22,798)	Balance of Usable Receipts at 1 April	(18,433)
(1,105)	Receipts from Sale of Assets	(1,817)
5,468	Receipts applied to finance Capital Expenditure	2,026
2	Amount payable to the housing capital receipt pool	2
(18,433)	Total Capital Receipts Reserve	(18,222)

The capital receipts reserve holds the proceeds from the sale of capital assets and is used for financing capital expenditure.

Capital Grants Unapplied

31 March 2020 £'000		31 March 2021 £'000
(1,694)	Balance at start of year	(2,501)
(988)	Additional Capital Grants recognised through the Comprehensive Income and Expenditure Statement	(5,477)
181	Applied Deposits	192
(2,501)	Total Capital Grants Unapplied	(7,785)

The capital grants unapplied reserve holds any capital grant received but not yet spent.

Transfers to/from earmarked reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2020/21. All earmarked reserves are revenue balances.

	Balance as at 31 March 2019 £'000	Trans-fers in 2019/20 £'000	Trans-fers out 2019/20 £'000	Balance as at 31 March 2020 £'000	Trans-fers in 2020/21 £'000	Trans-fers out 2010/21 £'000	Balance as at 31 March 2021 £'000
Capital Fund	(1,277)	(199)	550	(926)	(359)	356	(929)
Cremator Replacement Reserve	(549)	0	0	(549)	0	0	(549)
Internal Borrowing Repayments	(118)	(91)	0	(209)	(112)	0	(321)
Elections Reserve	(230)	(40)	96	(174)	(40)	0	(214)
Sports Facilities Reserve	(31)	(10)	0	(41)	(10)	0	(51)
Local Plan Inquiry Reserve	0	0	0	0	0	0	0
Yeovil Athletics Track Repairs	(167)	(19)	7	(179)	(19)	0	(198)
Planning Delivery Reserve	(16)	0	0	(16)	0	0	(16)
Bristol to Weymouth Rail Reserve	(28)	(48)	0	(76)	0	4	(72)
Local Authority Business Growth	0	0	0	0	0	0	0
Yeovil Refresh Reserve	(112)	0	0	(112)	0	0	(112)
IT Replacement Reserve	(10)	0	0	(10)	0	0	(10)
Insurance Fund	(50)	0	0	(50)	0	0	(50)
Transformation Fund	(229)	(179)	269	(139)	0	48	(91)
Treasury Management Reserve	(150)	(450)	0	(600)	(150)	0	(750)
Local Plan Implementation Fund	0	0	0	0	0	0	0
Revenue Grant Reserve	(504)	(35)	83	(456)	(76)	6	(525)
MTFP Support Fund	(5,019)	(1,000)	2,743	(3,276)	(1,603)	0	(4,879)
CTAX/Housing Benefits Reserve	(822)	(172)	290	(704)	(895)	308	(1,291)
Closed Churchyards Reserve	(11)	(12)	8	(15)	(4)	0	(19)
Health Inequalities	(32)	0	0	(32)	0	0	(32)
Deposit Guarantee Claims Reserve	(4)	0	1	(3)	(9)	0	(12)
Park Homes Replacement Reserve	(226)	(30)	0	(256)	(30)	0	(286)
Planning Obligations Admin Reserve	(30)	0	0	(30)	0	0	(30)
Local Strategic Partnership Reserve	0	0	0	0	0	0	0

Artificial Grass Pitch Reserve	(128)	(22)	4	(146)	(16)	0	(162)
Business Support Scheme (flooding)	(122)	0	11	(111)	0	10	(101)
Regeneration Fund	(2,094)	(1,482)	311	(3,265)	(64)	332	(2,997)
NNDR Volatility Reserve	(3,955)	(1,241)	2,500	(2,696)	(1,900)	4	(4,592)
Ticket Levy Income	(64)	(158)	136	(86)	(135)	101	(120)
Waste Reserve	(294)	0	194	(100)	0	0	(100)
Community Housing Fund	(211)	0	0	(211)	0	41	(170)
Community Safety Reserve	(79)	(20)	31	(68)	0	25	(43)
Housing and Homelessness Reserve	(458)	(321)	377	(402)	(434)	395	(441)
Commercial Investment Reserve	(132)	(6,168)	0	(6,300)	(306)	0	(6,606)
Spatial Policy Reserve	(334)	(63)	92	(305)	(48)	95	(258)
YIC Maintenance Reserve	(20)	(20)	0	(40)	0	0	(40)
Climate Change Fund	0	(350)	56	(294)	(2)	129	(167)
Community Initiatives Reserve	0	0	0	0	(524)	361	(163)
Local Government Change	0	0	0	0	(420)	420	0
Community Resilience Reserve	0	0	0	0	(126)	0	(126)
NNDR S31 Coll. Fund 2020/21	0	0	0	0	(11,704)	0	(11,704)
Total Reserves	(17,506)	(12,130)	7,759	(21,877)	(18,986)	2,635	(38,228)

32. Unusable reserves

31 March 2020		31 March 2021
£'000		£'000
(17,832)	Revaluation Reserve	(22,119)
2,779	Pooled Fund Adjustment Account	662
(26,736)	Capital Adjustment Account	(12,696)
(281)	Deferred Capital Receipts	(276)
79,934	Pensions Reserve	101,031
(1,558)	Collection Fund Adjustment Account	9,898
367	Accumulating Compensated Absences Adjustment Account	403
36,673	Total Unusable Reserves	76,903

Revaluation Reserve

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

31 March 2020 £'000		31 March 2021 £'000
(21,981)	Balance at start of year	(17,832)
(2,153)	Revaluation gains on non-current assets	(6,122)
5,823	Downward revaluation on non-current assets	1,190
0	Disposals of non-current assets	0
479	Current value depreciation transferred to Capital Adjustment Account	646
(17,832)	Total Revaluation Reserve	(22,119)

Pooled Fund Adjustment Account

This is the adjustment account to manage the fair value process for Pooled Fund Financial Assets.

31 March 2020 £'000		31 March 2021 £'000
(429)	Balance at start of year	2,779
0	Reclassification of financial instruments	0
0	Loss on de-recognition /maturity	0
3,208	Revaluation losses on pooled fund adjustment account	(2,117)
2,779	Total Pooled Fund Adjustment Account	662

The change to IFRS9 means that pooled funds are accounted for at fair value through profit and loss with the changes in fair value being taken to the Comprehensive Income and Expenditure statement.

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling posting from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the council as finance for the costs of acquisition, construction and subsequent costs.

The Account contains accumulated gains and losses on Investment Properties. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

31 March 2020			31 March 2021	
£'000	£'000		£'000	£'000
	(33,915)	Balance at start of year		(26,735)
(5,468)		Capital Expenditure financed from Capital Receipts	(2,026)	
(479)		Current value depreciation transferred from Revaluation Reserve	(646)	
(520)		Minimum Revenue Provision	(828)	
(551)		Revenue Contribution to capital	(120)	
(1,331)		Capital Grants and Contributions Applied	(2,028)	
	(8,349)			(5,649)
		Less:		
4,553		Write down of Revenue Expenditure funded from Capital under Statute	10,795	
7		Carrying amount of assets disposed	155	
2,682		Depreciation	2,792	
2,633		Impairment	2,465	
5,424		Movement in market value of Investment Property	2,510	
230		Repayment of Capital Loans	971	
	15,529			19,688
	(26,735)	Total Capital Adjustment Accounts		(12,696)

Deferred Credits Account

31 March 2020		31 March 2021
£'000		£'000
(286)	Balance at start of year	(281)
2	Repayment of mortgages on sale of Council Houses	2
3	Right to Receipts – St Johns Ambulance	3
(281)	Total Deferred Credits	(276)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

31 March 2020		31 March 2021
£'000		£'000
76,596	Balance at start of year	79,934
995	Re-measurement of the net defined benefit liability	17,034
6,228	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provisions of Services in the Comprehensive Income and Expenditure Statement	7,799
(3,885)	Employer's pensions contributions and direct payments to pensioners payable in year	(3,736)
79,934	Total Pensions Reserve	101,031

Collection Fund Adjustment Account

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

31 March 2020			31 March 2021	
£'000			£'000	
(1,043)		Balance at start of year		(1,558)
24		Collection Fund Adjustment in year for Council Tax		93
(539)		Collection Fund Adjustment in year for non-domestic rates		11,363
(1,558)		Total Collection Fund Adjustment Account		9,898

Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March 2021. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfer to or from the Account.

31 March 2020			31 March 2021	
£'000	£'000		£'000	£'000
	245	Balance at start of year		367
(245)		Settlement or cancellation of accrual made at the end of preceding year	(367)	
367		Amounts accrued at the end of the current year	403	
	122	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		36
	367	Total Accumulating Compensated Absences Adjustment Account		403

33. Financial Instruments

The Authority's accounting policies relating to financial instruments are in accordance with the 2020/21 Code of Practice on Local Authority Accounting.

Financial Instruments Balances

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

31 March 2020		Financial Liabilities	31 March 2021	
Long Term £'000	Current £'000		Long Term £'000	Current £'000
	79,500	Loans at amortised cost:		
	134	Principal sum borrowed		98,000
		Accrued interest		283
0	79,634	Total Borrowing	0	98,283
		Liabilities at amortised cost:		
23	2,449	Trade payables	33	4,198
20	31	Finance Lease	5	15
43	2,480	Included in Creditors	38	4,213
43	82,114	Total Financial Liabilities at amortised cost	38	102,496

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

31 March 2020		Financial Assets	31 March 2021	
Long Term £'000	Current £'000		Long Term £'000	Current £'000
	8,000	At amortised cost		0
	5	Principal		0
		Accrued Interest		
		Loss Allowance		
		At fair value through profit & loss		
2,105	20,471	Fair value	0	24,899
2,105	28,476	Total Investments	0	24,899
	2,000	At amortised cost		480
		Principal		
		Accrued Interest		
	(2)	Loss Allowance		0
		At fair value through profit & loss		
		Fair value		
0	1,998	Total Cash and Cash Equivalents	0	480
	3,024	At amortised cost		3,018
		Trade receivables		
17,417	1,250	Loans and Receivables	33,827	2,545
17,417	4,274	Included in Debtors	33,827	5,562
19,522	34,748	Total Financial Assets	33,827	30,941

Financial Instruments Gains/Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

31 March 2020					31 March 2021			
Financial Liabilities Amortised Cost £'000	Financial Assets			Financial Assets	Financial Liabilities Amortised Cost £'000	Financial Assets		
	Amortised Cost £'000	Fair Value through Profit & Loss £'000	Total £'000			Amortised Cost £'000	Fair Value through Profit & Loss £'000	Total £'000
1,351			1,351	Interest expense	2,776			2,776
				Losses on derecognition				
				Losses from change in fair value		0		0
1,351		0	1,351	Interest payable and similar charges	2,776			2,776
	(1,687)	(1,195)	(2,882)	Interest income		(2,966)	(996)	(3,962)
				Gains on derecognition			0	0
		(25)	(25)	Gains from change in fair value			(5)	(5)
	(1,687)	(1,220)	(2,907)	Interest & Investment Income		(2,966)	(1,001)	(3,966)
1,351	(1,687)	(1,220)	(1,556)	Net impact on (surplus)/deficit on provision of services	2,776	(2,966)	(1,001)	(1,190)
		3,208	3,208	(Gain)/Losses on revaluation			2,117	2,117
1,351	(1,687)	1,988	1,652	Net (Gain)/Loss for the year	2,776	(2,966)	1,116	926

Financial Instruments – Fair Values

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For these assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price.

The fair values of other instruments have been estimated calculating the net present value of the remaining contractual cash flows at 31st March 2021 using the following methods and assumptions:

- Certificates of deposit have been discounted at market interest rates for instruments of similar credit quality and remaining term to maturity.

Financial Liabilities

31 March 2020		Financial Liabilities	Fair Value Level	31 March 2021	
Carrying Amount £'000	Fair Value £'000			Carrying Amount £'000	Fair Value £'000
		Financial Liabilities held at Amortised Cost			
79,500	79,851	Long Terms Loans from PWLB	2	98,000	98,317
51	51	Other Long Term Loans			
		Finance Lease		20	20
	79,902	Total			98,337
2,472		Liabilities for which fair value is not disclosed	*	4,231	
82,023		Total Financial Liabilities		102,251	
		Recorded on Balance Sheet as:			
2,449		Short Term Creditors		4,198	
79,531		Short Term Borrowing		98,015	
23		Long Term Creditors		33	
20		Long Term Borrowing		5	
82,023				102,251	

* The fair value of short-term financial liabilities held at amortised cost, including trade payables, is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the authority's loans includes loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

Financial Assets

31 March 2020		Financial Assets	Fair Value Level	31 March 2021	
Carrying Amount £'000	Fair Value £'000			Carrying Amount £'000	Fair Value £'000
		Financial Assets held at Fair Value			
22,577	22,577	Money Market Funds	1	24,899	24,899
		Bond, Equity and Property Funds	1		
		Covered Bonds & Floating Rate Notes	1		
		Financial Assets held at Amortised Cost			
1,254	1,254	Bank Accounts		12	12
8,005	8,005	Term Deposits		0	0
18,358	18,358	Loans made for Service Purposes	2	36,082	36,082
50,194	50,194	Total		60,993	60,993
2,097		Assets for which fair value is not disclosed		3,307	
52,291		Total Financial Assets		64,299	
		Recorded on Balance Sheet as:			
2,105		Long Term Investments		0	
17,417		Long Term Debtors		33,827	
8,005		Short Term Investments		0	
3,038		Short Term Debtors		5,562	
21,726		Cash & Cash Equivalents		24,910	
52,291				64,299	

Financial assets classified as loans and receivables are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2021. The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Financial Instruments – Risk

The council has adopted CIPFA's code of practice on Treasury Management and complies with the Prudential Code for Capital Finance in Local Authorities.

As part of the adoption of the Treasury Management Code, the council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This guidance emphasizes that priority is to be given to security and liquidity rather than yield. The council's

Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

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

- Credit risk – the possibility that one party to a financial asset will fail to meet its contractual obligations causing a loss to the council.
- Liquidity risk – the possibility that the council might not have the cash available to make contracted payments on time.
- Market risk – the possibility that an unplanned financial loss will materialize because of changes in market variables such as interest rates or equity prices.

Credit Risk: Investments

The council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the council has regard to other measures including credit default swaps and equity prices when selecting commercial entities for investment.

The council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the council's deposits, but there was no evidence as the 31 March 2021 that this was likely to crystallise.

The Table below summarises the credit risk exposures of the council's investment portfolio by credit rating.

Credit Rating	Long Term		Short Term	
	31/03/2021	31/03/2020	31/03/2021	31/03/2020
	£'000	£'000	£,000	£,000
AAA	0	2,000	2,000	0
AA-	0	0	480	2,000
Unrated Local Authorities	0	0	0	8,000
Unrated Pooled Funds	0	0	23,500	23,250
Total Investments (nominal amount)	0	2,000	25,980	33,250

Liquidity Risk

South Somerset District Council ensures it has adequate, though not excessive, cash resources and borrowing arrangements to ensure it has the level of funds available to enable the achievement of its business/service objectives.

The council has ready access to the money markets for short-term debt to cover revenue expenditure and to the money markets and PWLB for longer-term borrowing. There is no perceived risk that the council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates.

The council's current borrowing matures throughout 2021/22 there will be a need to replace this borrowing. There will be an additional borrowing requirement

going forward, the council ensure that borrowing costs are kept to a minimum and seek advice from its Treasury Management advisors to ensure this is achieved.

Market risk – Interest rate risk

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

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise
- Investments at fixed rates – the fair value of the liabilities borrowings will fall

Investments classed at “loans and receivables” and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus and Deficit on the Provision of Services. Movement in fair value of fixed rate investments classed as “available for sale” will be reflected in Other Comprehensive Income and Expenditure.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates.

According to this assessment strategy, at 31 March 2021, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

31 March 2020 £'000		31 March 2021 £'000
497	Increase in interest payable on variable rate borrowings	769
(254)	Increase in interest receivable on variable rate investments	(33)
243	Impact on Surplus or Deficit on the Provision of Services	736
0	Decrease in fair value of fixed rate borrowings	0
0	Decrease in fair value of fixed rate investments	0

Market Risk – Price risk

The market prices of the council’s fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the market risk associated with these instruments is managed alongside interest rate risk.

The council’s investment in a pooled property fund and pooled equity funds are subject to the risk of falling commercial property prices or falling share prices. This risk is limited by the council’s maximum exposure to pooled funds of £10m nominal value per fund. A 5% fall in commercial property prices or share prices would result in a £640k charge to Other Comprehensive Income and Expenditure – this would have no impact on the General Fund until the investments were

sold.

Market risk – Foreign exchange risk

The council has not financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates. The Eurobonds held by the council are denominated in Pound Sterling.

34. Cash Flow Statement – Operating activities

The cash flows for operating activities include the following items:

Previous Year 2019/20 £'000		Current Year 2020/21 £'000
2,258	Interest received	1,289
(243)	Interest paid	(811)
2,015	Net Cash Flows from Operating Activities relating to interest	478

Previous Year 2019/20 £'000		Current Year 2020/21 £'000
2,683	Depreciation and amortisation	2,792
2,633	Impairment and downward valuations	2,465
5,431	Movement in market value of investment property	2,510
1,653	Increase/(decrease) in creditors	20,236
(1,401)	(Increase)/decrease in debtors	(22,334)
(774)	(Increase)/decrease in inventories	(331)
413	Increase/(decrease) in developer contributions	7
(522)	Increase/(decrease) in provisions	589
2,343	Movement in pension liability	4,063
0	Carrying amounts of non-current assets and non-current assets held for sale, sold or derecognized	155
12,459	Total Adjustments for Non-Cash Movements	10,151

Previous Year 2019/20 £'000		Current Year 2020/21 £'000
(1,106)	Proceeds from the sale of property, plant and equipment and intangible assets	(1,817)
(1,106)	Total Adjustments for Investing and Financing Activities	(1,817)

35. Cash Flow Statement – Investing activities

Previous Year 2019/20 £'000		Current Year 2020/21 £'000
(53,360)	Purchase of property, plant and equipment, investment property and intangible assets	(11,346)
(175,234)	Purchase of short-term and long-term investments	(1,750)
(7,594)	Other payments for investing activities	(16,495)
1,106	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,817
172,265	Proceeds from sale of short-term and long-term investments	9,500
1,255	Other receipts from investing activities	85
(61,562)	Net Cash Flows from Investing Activities	(18,188)

36. Cash Flow Statement – Financing activities

Previous Year 2019/20 £'000		Current Year 2020/21 £'000
60,000	Cash receipts of short-term borrowing	18,500
(31)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(15)
59,969	Net Cash Flows from Financing Activities	18,485

37. Trading operations

Careline South Somerset remains a trading operation. It is an emergency response system for people who need reassurance that help is at hand at the push of a button 24 hours a day, 365 days a year.

The MOT Station is operated by the Streetscene service.

Previous Year		Current Year		
2019/20		2020/21	2020/21	2020/21
(Surplus)/Deficit		Expenditure	Income	(Surplus) /Deficit
£'000		£'000	£'000	£'000
(296)	Careline	181	(408)	(227)
33	MOT Station	86	(70)	16
(263)	Total Trading Accounts	267	(478)	(211)

38. Members' Allowances

Previous Year		Current Year
2019/20		2020/21
£'000		£'000
404	Basic Allowance	416
111	Special Responsibility Allowance	124
16	Expenses	1
531	Total Members Allowance	541

Further information on Members' allowances is available on our website and may also be obtained from the People Management Team.

39. Officers' Remuneration

During the 2020/21 financial year the number of officers who received remuneration, which includes salary, leased car and termination payments, in excess of £50k were as follows:

2019/20		Remuneration Band	2020/21		
Total	Left during year		Total	Left during year	Compensation for Loss of Office
8		£50,000 - £54,999	11	1	1
14		£55,000 - £59,999	14	2	2
6	1	£60,000 - £64,999	9	1	1
4		£65,000 - £69,999	4	1	1
		£70,000 - £74,999	4	2	1
3		£75,000 - £79,999	2		
		£80,000 - £84,999	2	1	1
		£85,000 - £89,999	2		
		£100,000 - £104,999	1		
		£105,000 - £109,999	1		1
3		£110,000 - £114,999	2	1	
1		£150,000 - £154,999	1		

The total column includes those Officer's that have left during the financial year, left during year column shows the number within that total who ceased their employment with the Council during 2020/21 with those receiving compensation upon leaving indicated in the column to the right.

Senior Officers

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

Senior employees are typically an authority's Chief Executive (or equivalent), officers that report direct to them (other than administration staff), and statutory chief officers. For South Somerset District Council, the senior employees are the Directors Officers with statutory roles.

Senior Officers' Emoluments

Current year 2020/21	Name of officer	Post Term	Salary (including Fees & Allowances)	Benefits in kind	Compensation for loss of office	Total Remuneration (excl. pension contribution)	Pension Contribution	Total Remuneration (incl. pension contribution)
Post Title			£'000	£'000	£'000	£'000	£'000	£'000
Chief Finance Officer	K Watling	15 March '20 - 31 March '21	9	0	0	9	0	9

Previous year 2019/20	Name of officer	Post Term	Salary (including Fees & Allowances)	Benefits in kind	Compensation for loss of office	Total Remuneration (excl. pension contribution)	Pension Contribution	Total Remuneration (incl. pension contribution)
Post Title			£'000	£'000	£'000	£'000	£'000	£'000
			0	0	0	0	0	0

Current year 2020/21	Post Term	Salary (including Fees & Allowances)	Benefits in kind	Compensation for loss of office	Total Remuneration (excl. pension contribution)	Pension Contribution	Total Remuneration (incl. pension contribution)
Post Title		£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive Officer	April '20 - March '21	119	0	0	119	21	140
Director - Place	April '20 - March '21	84	0	0	84	15	99
Director - Service Delivery	April '20 - March '21	86	0	0	86	15	101
Director - Service Delivery	Feb '21 - March '21	9	0	0	9	2	10
Director - Strategy & Commissioning	April '20 - Feb '21	37	0	0	37	6	43
Director - Commercial Services & Income Generation	April '20 - March '21	88	0	0	88	16	104
Director - Strategy & Support Services	Feb '21 - March '21	8	0	0	8	1	10
Director - Support Services	April '20 - Feb '21	35	0	0	35	6	41
Lead Specialist Legal/Monitoring Officer	April '20 - Nov '20	31	0	0	31	5	36
Lead Specialist Legal/Monitoring Officer	Feb '21 - March '21	11	0	0	11	2	14
S151 Officer	April '20 - March '21	55	0	0	55	10	65

On the 15th March a new Interim S151 Officer, K Watling CPFA started at the council, on a 6 Month contract, the total cost for 2020/21 being £9k.

During 2020/21, the council's Monitoring Officer was employed by Eastleigh Borough Council (EBC) and SSDC paid EBC for their services, the total cost being £39,415.

Previous year 2019/20	Post Term	Salary (including Fees & Allowances) £'000	Benefits in kind £'000	Compen- sation for loss of office £'000	Total Remuneration (excl. pension contribution) £'000	Pension Contribution £'000	Total Remuneration (incl. pension contribution) £'000
Post Title							
Chief Executive Officer	April '19 - March '20	115	2	0	117	18	135
Director (Strategy and Support Services)	April '19 - March '20	86	0	0	86	14	100
Director (Service Delivery)	April '19 - March '20	87	0	0	87	14	101
Director (Commercial Services & Income Generation)	April '19 - March '20	86	0	0	86	14	100
Lead Specialist Legal/Monitoring Officer	April '19 - March '20	47	0	0	47	8	55
Lead Specialist Finance/S151 Officer	April '19 - March '20	52	0	0	52	8	60

Exit Packages

The total cost of £462k for 2020/21 (£9.83k for 2019/20) has been charged to the authority's Comprehensive Income and Expenditure Statement in the current year.

Exit Package Costs Band (including special payments)	Number of Compulsory Redundancies		Number of Voluntary/Efficiency of service		Total Number of Exit Packages		Total Cost of Exit Packages	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20 £'000	2020/21 £'000
£0 - £20,000	0	1	2	0	2	1	10	3
£20,001 - £40,000	0	6	0	0	0	6	0	189
£40,001 - £60,000	0	1	0	0	0	1	0	44
£60,001 - £80,000	0	2	0	0	0	2	0	123
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	1	0	1	0	103
TOTAL	0	10	2	1	2	11	10	462

40. Audit Costs

In 2020/21 the council incurred the following fees relating to external audit and inspection:

Previous Year 2019/20 £'000		Current Year 2020/21 £'000
45	Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor	67
14	Fees payable to Grant Thornton UK LLP for the certification of grant claims and returns	23
59	Total Audit Costs	90

41. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive income and Expenditure Statement in 2020/201

Previous Year 2019/20 £'000		Current Year 2020/21 £'000
2,138	Capital Grants	7,313
2,008	New Homes Bonus	1,603
0	Revenue Support Grant (UK Government)	0
0	Other non-specific Government Grant	166,284
4,146	Total Grants credited to taxation and Non-Specific Grant income and Expenditure	9,082
2,752	Business Rates Tax loss reimbursement	27,383
224	Cost of Collection – Business Rates	224
29,602	Housing Benefits	28,676
0	COVID related grants	8,153
388	Homelessness Grants	644
215	Miscellaneous Grants	4,720
33,181	Total Grants credited to services	69,801
37,327	Total Grants	78,883

Several additional grants were received from Government as part of their response to the Covid-19 Pandemic. Where the Council was deemed to be acting in the capacity of an agent and so passing these funds on to the eventual beneficiaries, these transactions do not have an impact on the Statement of Accounts. The value of these grants was £8,153m.

42. Related Party Transactions

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

Precepts from Other Local Authorities are detailed in Note 1 to the Collection Fund and receipts received from the UK Central Government (which exerts significant influence through legislation and grant funding) are detailed above in Note 42 to the Core Financial Statements.

Transactions to and from the Pension Fund are detailed in Note 47 to the Core Financial Statements.

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

Organisation	SSDC Contribution in 2020/21		SSDC Councillor
Ham Hill Community Land Trust	41	Community led housing fund	Cllr G Tucker
Parrett Drainage Board	68	As a special levy	Cllr M Stanton Cllr G Tucker
Dorset Healthcare	23	Civil injunction preparatory work	Cllr A Soughton
Eagle Plant	14	Hire of equipment	Cllr T O'Brien
Preston Grove Medical Centre	28	Medical References	Cllr O Patrick
South West Councils	12	Subscriptions & Training	Cllr V Keitch
Crewkerne Leisure Management Ltd	14	National Leisure Recovery Fund	Cllr M Best
UNISON	16	Employee subscriptions	Cllr D Bulmer
Westfield Community Association	19	Park grant	Cllr J Clark

South Somerset District Council is a member of the South West Audit Partnership which is a company limited by guarantee and is wholly owned and controlled, as an in-house company, by the members and is a Local Authority Controlled Company for the purposes of Part V of the Local Government and Housing Act 1989. The liability of each member is limited to £1, being the amount that each member undertakes to contribute to the assets of the Company in the event of it being wound up while the Authority is a member or within one year after the Authority ceases to be a member. South West Audit Partnership provides internal audit services.

The council has made loans to SSDC Opium Power Limited, which is a partly owned subsidiary. The value of the loans to SSDC Opium Power Limited as at 31st March 2021 is £31.552m

43. Capital expenditure and financing

Previous Year 2019/20			Current Year 2020/21	
£'000	£'000		£'000	£'000
	39,361	Opening Capital financing Requirement		96,973
		Capital Expenditure		
310		Intangible Non-Current Assets	187	
52,260		Non-Current Assets	10,701	
785		Assets under Construction	458	
7,574		Long Term Debtors	20,036	
4,553		Revenue Expenditure funded from Capital under Statute	10,795	
	65,482	Sources of Finance		42,177
(5,468)		Use of Capital Receipts	(2,026)	
(1,331)		Government Grants & Other Contributions	(1,792)	
(551)		Capital expenditure charged against the capital fund	(356)	
(520)		Minimum Revenue Provisions	(828)	
	(7,870)			(5,003)
	96,973	Closing Capital Financing Requirement		134,148

44. Leases

Authority as Lessee

Finance Leases

The council has acquired a number of vehicles and printers under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31 March 2020		31 March 2021
£'000		£'000
48	Vehicles, Plant, Furniture and Equipment	19
48	Total Carrying Amount of Leases	19

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

31 March 2020 £'000		31 March 2021 £'000
51	Finance lease liabilities (net present value of minimum lease payments)	20
2	Finance Cost Payable in future years	1
53		21

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£'000	£'000	£'000	£'000
Not later than one year	32	16	31	15
Later than one year and not later than five years	21	5	20	5
Total Finance Lease Payments	53	21	51	20

Operating Leases

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

31 March 2020				31 March 2021		
£'000				£'000		
Vehicles, Plant & Equipment	Property	Total		Vehicles, Plant & Equipment	Property	Total
75	24	99	Not later than one year	54	23	77
75	93	168	Later than one year and not later than five years	21	91	112
0	849	849	Later than five years		825	825
150	966	1,116	Total Operating Lease Payments	75	939	1,014

The expenditure charged to services in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

Previous Year 2019/20 £'000		Current Year 2020/21 £'000
75	Minimum lease payments	54
34	<ul style="list-style-type: none"> • Vehicles, Plant and Equipment • Property 	23
109	Total Operating Lease Payments Charge to the Comprehensive Income and Expenditure Statement	77

Authority as Lessor

Operating Leases

The council leases out property and equipment under operating leases for economic development purposes to provide suitable affordable accommodation for local businesses. The council has granted leases in respect of a number of properties (principally commercial premises and business units) which are treated as operating leases.

The future minimum lease payments receivable under non-cancellable leases in future years can be broken down as follows:

31 March 2020		31 March 2021
£'000		£'000
5,506	No later than one year	6,355
15,324	Later than one year and not later than five years	17,205
15,385	Later than five years	22,284
36,215	Total future lease payments receivable	45,844

45. Impairment Losses

During 2020/21, the Authority recognised a net impairment loss of £7.770m (£14.456m in 2019/20). This was made up of £8.069m reduction in value and £0.299m of reversing previous impairment losses.

The impairment losses of £7.188m have been charged to various service lines on the Comprehensive Income and Expenditure Statement and downward revaluations of £0.582m have been charged to the Revaluation Reserve.

46. Defined benefit pension schemes

Participation in Pension Schemes

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

South Somerset District Council participates in the Local Government Pension Scheme (LGPS) for employees, administered by Somerset County Council – this is a funded defined benefit scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The benefits accrued up to 31 March 2021 are based on final salary and length of service on retirement. Changes to the LGPS came into effect from 1 April 2014 and any benefit accrued from this date will be based on career average revalued salary.

Transactions Relating to Post-Employment Benefits

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

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Previous Year 2019/20			Current Year 2020/21	
£'000	£'000		£'000	£'000
		Comprehensive Income and Expenditure Statement		
		Cost of Services:		
3,902		• Current service costs	5,337	
454		• Service costs	500	
75		• Past service and curtailment costs	47	
		• Administration Expenses	51	
	4,431			5,935
		Financing and Investment Income and Expenditure		
4,275		• Interest Cost	3,489	
(2,478)		• Return on Assets	(1,625)	
	1,797			1,864
	6,228	Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement		7,799
£'000	£'000		£'000	£'000
		Other Post Employment benefit charged to the Comprehensive Income and Expenditure Statement		
		Remeasurement of the net defined benefit liability comprising:		
9,997		Return on plan fund assets in excess of interest	(24,806)	
(16,402)		Change in financial assumptions	46,152	
1,070		Change in demographic assumptions	(1,936)	
6,330		Experience (gain)/losses on defined benefit obligation	(2,376)	
		Other actuarial (gains)/losses on assets		
	995	Total remeasurement of net defined benefit liability		17,034
	7,223	Total post employment benefit charged to the Comprehensive Income and Expenditure Statement		24,833
		Movement in Reserves Statement		
		Reversal of net charges made to the surplus or deficit for the provision of services for post-employment benefits in accordance with the code		
		Actual amount charged against the General Fund Balance for pensions in the year:		

(3,677)		• Employer's contributions payable to scheme	(3,536)	
(208)		• Retirement benefits payable to pensioners	(200)	
	(3,885)			(3,736)

The change in financial assumptions reflects a decrease in the discount rate from 2.35% to 2.00%. The discount rate is based on corporate bond yields that match the duration of the employer's liabilities. Although the yields have been volatile they have decreased overall which indicates an increase in liabilities.

Assets and Liabilities in Relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2021 are as follows:

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

Previous Year 2019/20 £'000		Current Year 2020/21 £'000
172,060	Present Value of Funded Obligation	219,863
(94,688)	Fair Value of Assets in Scheme	(121,411)
77,372	Net Liability	98,452
2,562	Present Value of Unfunded Obligation	2,579
79,934	Closing Balance at 31 March	101,031

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total liability of £101.031m has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in an overall balance of £8.195m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Reconciliation of Present Value of the scheme liabilities

Previous Year 2019/20 £'000		Current Year 2020/21 £'000
180,823	Opening Balance at 1 April	174,622
3,902	Current service cost	5,337
4,275	Interest cost	3,489
	Remeasurement (gains) and losses:	
(16,402)	Actuarial gains/losses from change in financial assumptions	46,152
1,070	Actuarial gains/losses from change in demographic assumptions	(1,936)
6,330	Experience loss/(gain) on defined benefit obligation	(2,376)
0	Liabilities assumed/(extinguished) on settlements	1,933
(6,331)	Estimated benefits paid net of transfers in	(5,359)
454	Past service costs, including curtailments	47
709	Contributions by scheme participants	733
(208)	Unfunded Pension Payments	(200)
174,622	Closing balance at 31 March	222,442

Reconciliation of Fair Value of Scheme Assets

Previous Year 2019/20 £'000		Current Year 2020/21 £'000
104,227	Opening Balance at 1 April	94,688
2,478	Interest on Assets	1,625
(8,584)	Return on Assets less interests	24,806
(1,413)	Other actuarial gains/(losses)	0
(75)	Administration expenses	(51)
3,885	Contribution by the employers	3,736
709	Contributions by scheme participants	733
(6,539)	Benefits paid	(5,559)
0	Settlement prices received/(paid)	1,433
94,688	Closing balance at 31 March	121,411

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

Sensitivity Analysis

	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	218,158	222,442	226,815
Projected service cost	5,528	5,722	5,923
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	222,863	222,442	222,025
Projected service costs	5,725	5,722	5,719
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	226,355	222,442	218,604
Projected service costs	5,921	5,722	5,529
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present value of total obligation	233,105	222,442	212,292
Projected service costs	5,964	5,722	5,489

Projected Pension Expense for the year to 31 March 2021

	Year to 31 March 2022
	£'000
Service Cost	5,722
Net Interest on the defined liability	1,986
Administration expenses	65
Total Loss/(Profit)	7,773
Employer Contributions	3,345

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years' dependent on assumption about mortality rates, salary levels etc. The Peninsula Pension Fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries. Estimates for the Peninsula Pension Fund being based on the latest full valuation of the scheme as at 31 March 2021.

The principal assumptions used by the actuary have been:

31 March 2020			31 March 2021	
1.90%	Rate of inflation (CPI)		3.20%	
2.90%	Rate of general long-term increase in salaries		3.80%	
1.90%	Rate of increase to pensions in payment		2.80%	
1.90%	Rate of increase to deferred pensions		2.80%	
2.35%	Discount Rate		2.00%	

Assumed life expectations from aged 65 (years) are:

	Male	Female
Current Pensioners	23.1	24.6
Future Pensioners (20 years from now)	24.4	26

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

% of total Scheme as at 31 March 2020	Value of total Scheme as at 31 March 2020 £'000		% of total Scheme as at 31 March 2021	Value of total Scheme as at 31 March 2021 £'000
67	63,865	Equity Investments	71	87,309
7	6,206	Government Bonds	6	6,975
10	9,489	Corporate Bonds	10	11,762
9	8,978	Property	7	8,389
7	6,150	Cash	6	6,976
100	94,688		100	121,411

47. Contingent liabilities

There is a potential environmental risk in the Birchfield Park area as part of the land is an old landfill site. The site continues to be monitored and there is a bond in place with the developer to meet any liabilities resulting from the development of the road. There remains liability of £311k that may fall on the council.

However, it continues to remain unlikely that it will be payable. Therefore, it is being treated as a contingent liability. Should the possibility of payment become more likely, we will consider making a specific provision to cover the cost. A specific working group manages any risk within existing revenue and capital budgets.

48. Dorcas House

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

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

Previous Year 2019/20 £'000		Current Year 2020/21 £'000
(3)	Total Income for the Year	(3)
0	Total Expenditure of the Year	0
(3)	Deficit/(Surplus) for the Year	(3)

(Brackets represent income)

Previous Year 2019/20 £'000		Current Year 2020/21 £'000
452	Capital & Unrestricted Funds	454
452	Total Reserves	454

The Statement of Accounts for Dorcas House Trust may be obtained by contacting The Council Offices, Brympton Way, Yeovil, Somerset, BA20 2HT.

Collection Fund Account

Income and Expenditure Account for the year ended 31 March 2021

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

Previous Year 2019/20		Year Ended 31 March 2021		
Collection Fund £'000		Business Rates £'000	Council Tax £'000	Collection Fund £'000
	Income			
(109,296)	Council Tax Receivable		(114,695)	(114,695)
(46,075)	Business Rates Receivable	(23,756)		(23,756)
	Apportionment of Previous Year Deficit			
0	Central Government	0	0	0
(170)	Somerset County Council	0	(168)	(168)
(28)	Police and Crime Commissioner for Avon & Somerset	0	(30)	(30)
(12)	Devon & Somerset Fire & Rescue	0	(12)	(12)
(35)	South Somerset District Council (including Parishes)	0	(35)	(35)
(155,616)	Total Income	(23,756)	(114,940)	(138,696)
	Expenditure			
	Precepts and Demands			
10,801	Central Government	22,855	0	22,855
87,675	Somerset County Council	4,114	78,268	82,382
13,127	Police and Crime Commissioner for Avon & Somerset	0	13,831	13,831
5,646	Devon & Somerset Fire & Rescue	457	5,357	5,814
34,963	South Somerset District Council (including Parishes)	18,564	16,359	34,923
	Apportionment of Previous Year Surplus			
742	Central Government	1177	0	1,177
134	Somerset County Council	1030	0	1,030
0	Police and Crime Commissioner for Avon & Somerset	0	0	0
15	Devon & Somerset Fire & Rescue	40	0	40
594	South Somerset District Council (including Parishes)	1712	0	1,712
	Charges to Collection Fund			
344	Write offs of uncollectable amounts	379	172	551
1,079	Increase/(Decrease) in bad debt	923	1,592	2,515
(1,484)	Increase/(Decrease) in Provision for Appeals	(173)	0	(173)
224	Cost of Collection	224	0	224
1	Legal Fees	0	0	0
147	Transitional Protection Payments	209	0	209
154,008	Total Expenditure	51,511	115,579	167,090

(1,608)	(Surplus)/Deficit for Year	27,755	639	28,394
(1,802)	(Surplus)/Deficit Balances at Start of Year	(4,015)	605	(3,410)
(3,410)	(Surplus)/Deficit Balances at End of Year	23,740	1,244	24,984

Previous Year 2019/20	Attributable to:	Year Ended 31 March 2021		
Collection Fund £'000		Business Rates £'000	Council Tax £'000	Collection Fund £'000
(1,191)	Central Government	11,884		11,884
(631)	Somerset County Council	2,125	855	2,980
73	Police and Crime Commissioner for Avon & Somerset	0	150	150
0	Devon & Somerset Fire & Rescue	237	59	296
(11)	South Somerset District Council (including Parishes for Council Tax)	9,494	180	9,674
(1,650)				0
(3,410)		23,740	1,244	24,984

(Brackets represent income or liabilities)

Notes to the Collection Fund

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

1. Income from Council Tax

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

The estimate is made by calculating a tax base and dividing the precepts by the tax base to establish the tax payable for a Band D property (properties in other bands pay a proportion of the Band D charge). The first step in calculating the tax base is to adjust the total number of properties in each band to the effective number of properties by reducing the number to allow for the number of discounts and exemptions. The effective number of dwellings is then converted to the number of Band D equivalents by applying the weighting for each band. The following table illustrates how the tax base has increased from 2020/21.

Tax Base						
Previous Year 2019/20			Current Year 2020/21			
Effective No of dwellings	Band D Equivalent	Weighting	Tax Band	Property Value (at April 1991)	Effective No of dwellings	Band D Equivalent
11	6	5/9ths	A-	Disabled band	13	7
8,560	5,707	6/9ths	A	Up to £40,000	8,644	5,763
20,052	15,596	7/9ths	B	Between £40,001 & £52,000	20,054	15,598
14,792	13,148	8/9ths	C	Between £52,001 & £68,000	14,945	13,284
11,068	11,068	1	D	Between £68,001 & £88,000	11,072	11,072
8,810	10,768	11/9ths	E	Between £88,001 & £120,000	8,944	10,932
4,539	6,557	13/9ths	F	Between £120,001 & £160,000	4,570	6,601
1,763	2,938	15/9ths	G	Between £160,001 & £320,000	1,767	2,945
145	290	18/9ths	H	Over £320,000	141	282
69,740	66,078				70,150	66,484
	(609)			Less adjustment for non-collection and banding reductions		(613)
	(5,203)			Less adjustment for Council Tax Reduction Scheme		(5,160)
	60,266			Council Tax Base		60,711

Details of the precepts are shown below:

Previous Year 2019/20 £	Precepting Authorities	Current Year 2020/21 £
74,713,671	Somerset County Council	78,268,338
13,126,553	Police and Crime Commissioner for Avon & Somerset	13,830,523
5,214,220	Devon & Somerset Fire & Rescue Authority	5,357,119
10,071,063	District Council's own requirement	10,448,932
5,487,326	Total of Parish Precepts & Levies	5,894,503

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

Previous Year 2019/20 £	Council Tax Levy at Band D	Current Year 2020/21 £
1,239.73	Somerset County Council	1,289.20
217.81	Police and Crime Commissioner for Avon & Somerset	227.81
86.51	Devon & Somerset Fire & Rescue Authority	88.24
167.11	South Somerset District Council	172.11

1,711.16		1,777.36
91.05	Add Town & Parish Councils (average)	97.09
1,802.21	Average Council Tax Levy at Band D	1,874.45

2. Council Tax Surplus/Deficit on collection fund

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

3. Income collectable from business rate payers

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

Previous Year 2019/20		Current Year 2020/21
£120,356,757	National Non-Domestic Rates (NNDR) Rateable value at 31 st March	£120,283,409
50.4p	NNDR rate poundage	51.2p
49.1p	- National Multiplier	
	- Small Business Multiplier	49.9p

4. Debtors for Local Taxation

The debtors for Local Taxation represent the council's share only and not for the whole of the collection fund. The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

Previous Year 2019/20 £'000	Period	Business Rates £'000	Council Tax £'000	Total 2020/21 £'000
708	Less than 2 months	242	174	416
435	2 to 4 months	146	117	263
461	4 to 6 months	314	108	422
239	6 to 12 months	711	326	1,037
1,165	More than 12 months	848	1,618	2,466
3,008	Total	2,261	2,343	4,604

Group Accounts

These Group Accounts, which consist of Primary Statements and notes, are provided in addition to the notes to the Accounting Statements within the single entity Statement of Accounts.

Notes have been omitted if there are no material differences to the disclosure already made.

The council has three joint arrangements: SSDC Business Solutions Ltd, Elleston Services Ltd and SSDC Opium Power Ltd.

SSDC Business Solutions Ltd is a wholly owned subsidiary and the parent company of Elleston Services Ltd. SSDC Business Solutions Ltd has not been consolidated in the group accounts due to the low level of materiality of the figures.

Elleston Services Ltd

South Somerset District Council wholly owns (100%) Elleston Services Ltd which was established in April 2019 to deliver Landscape Services.

The Board consists of six directors appointed by South Somerset District Council. The Board of Directors approved draft accounts in July 2021.

Elleston Services Ltd has not been consolidated into the Group accounts for 2020/21 due to the values involved not being material.

SSDC Opium Power Limited

South Somerset District Council has 50% ownership in SSDC Opium Power Limited. SSDC Opium Power Limited is a subsidiary as despite the ownership ratio, South Somerset District Council has the right to exercise control with a deciding vote on the Board. The company was established in 2018.

The Board consists of five directors, J H Dobson; D Owen; C Pestell, P W Ashton and J Divall (appointed 22 April 2021). The Board of Directors approved draft accounts in July 2021.

Group Accounting Policies

South Somerset District Council's accounts are prepared under IFRS reporting standards. SSDC Opium Power Ltd prepare their accounts under FRS102, which is usual practice and compatible with Local Authority Accounts. The accounting policies are therefore the same as those applied to the single entity financial statements.

Subsidiaries

A subsidiary is an entity that the council controls through the power to govern their financial and operating policies so as to obtain benefits from the entities' activities. Control is usually presumed where the council owns more than half the voting power of an entity however, it may also occur where a council has an over-riding voting right.

Basis of the Preparation of the Group Financial Statements

The Group accounts have been prepared using the Group accounts requirements of the 2020/21 Code. Companies or other reporting entities that are under the ultimate control of the council have been included in the council's Group accounts, to the extent that they are material to the users of the financial statements in relation to their ability to see the complete economic activities of the council and its exposure to risk through interests in other entities and participation in their activities. The subsidiaries have been consolidated by:

- adding like items of assets, liabilities, reserves, income and expenses together on a line by line basis to those of other group members in the financial statements; and
- eliminating intra-group balances and transactions in full.

Group Comprehensive Income and Expenditure Statement

(Brackets represent income)

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserve Statement.

Restated Gross Expenditure re year ended 31 March £'000	Restated Gross Income year ended 31 March £'000	Restated Net Cost of Services year ended 31 £'000	Service	Note Number	Gross Expenditure re year ended 31 March 2021 £'000	Gross Income year ended 31 March 2021 £'000	Net Cost of Services year ended 31 March £'000
1,273	(81)	1,192	Chief Executive		2,092	(281)	1,810
20,621	(10,252)	10,369	Director of Commercial Services and Income Generation		18,947	(7,519)	11,428
41,132	(33,748)	7,384	Director of Service Delivery		51,303	(34,908)	16,408
5,676	(1,264)	4,412	Director of Strategy and Commissioning		4,778	(557)	4,221
6,657	(784)	5,873	Director of Support Services		14,020	(10,002)	4,010
76	(2)	74	Subsidiary Companies		1,498	(1,535)	(37)
75,435	(46,131)	29,304	Cost of Services		93,038	(55,203)	37,835
5,474	(851)	4,623	Other Operating expenditure		5,881	(700)	5,181
0	(11)	(11)	Net Loss/(Gain) on Disposal of Property, Plant and Equipment	2	14	0	14
5,356	(2,252)	3,104	Financing and Investment Income and Expenditure		572	(1,032)	(460)
0	(28,019)	(28,019)	Taxation and Non-Specific Grant Income		0	(31,617)	(31,617)
86,265	(77,264)	9,001	(Surplus)/Deficit on Provision of Services		99,505	(88,552)	10,953
		5,190	(Surplus)/Deficit on revaluation of Property, Plant and Equipment				(11,701)
		3,208	(Surplus)/Deficit on revaluation of Pooled Funds				(2,117)
		995	Remeasurement of the Net Defined Benefit Liability				17,034
		(30)	Share of Other Income and Expenditure of Joint Operations				(12)
		9,363	Other Comprehensive Income and Expenditure				3,204
		18,363	Total Comprehensive Income and Expenditure				14,157

The Deficit on the Provision of Services of £10.953m includes a Deficit of £0.18m attributable to the Minority Interest (19/20: Deficit £0.35m). The Minority Interest represents 50% of the Income and Expenditure of SSDC Opium Power Limited, the subsidiary undertaking.

Group Movement in Reserves Statement

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

	Total General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Joint Operations Reserves	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authorities share of subsidiary (Usable)	Authorities share of subsidiary (Unusable)	Total Authorities share of subsidiary	Minority Interest	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2019	-22,100	-22,798	-1,694	-608	-47,200	19,185	-28,015	111	0	111	111	-27,793
Movement in reserves during 2019/20:												
Total Comprehensive Income and Expenditure	8,297	0	0	-30	8,267	7,873	16,140	352	760	1,112	1,112	18,364
Adjustments between accounting basis and funding basis under regulations (note 9)	-13,174	4,365	-807	0	-9,616	9,616	0	0		0		0
Net Increase/Decrease before transfers to Earmarked Reserves	-4,877	4,365	-807	-30	-1,349	17,489	16,140	352	760	1,112	1,112	18,364
Transfers to/from Earmarked Reserves (note 32)	0	0	0	0	0	0	0	0	0	0		0
(Increase)/Decrease in 2019/20	-4,877	4,365	-807	-30	-1,349	17,489	16,140	352	760	1,112	1,112	18,364
Balance at 31 March 2020	-26,977	-18,433	-2,501	-638	-48,549	36,674	-11,875	463	760	1,223	1,223	-9,430
Movement in reserves during 2020/21:												

Total Comprehensive Income and Expenditure	9,873			-12	9,861	9,985	19,846	540	-3,385	-2,845	-2,845	14,157
Adjustments between accounting basis and funding basis under regulations (note 9)	-25,171	211	-5,284		-30,244	30,244	0			0		0
Net Increase/Decrease before transfers to Earmarked Reserves	-15,298	211	-5,284	-12	-20,383	40,229	19,846	540	-3,385	-2,845	-2,845	14,157
Transfers to/from Earmarked Reserves (note 32)	0	0	0	0	0	0	0	0				0
(Increase)/Decrease in 2020/21	-15,298	211	-5,284	-12	-20,383	40,229	19,846	540	-3,385	-2,845	-2,845	14,157
Balance at 31 March 2021	-42,275	-18,222	-7,785	-650	-68,932	76,903	7,971	1,003	-2,625	-1,622	1,622	4,727

Group Balance Sheet (Brackets represent liabilities)

The Balance Sheet is a 'snapshot' of the council's financial position at a specific point in time, showing what it owns and owes at 31st March. The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the council. The net assets of the council (assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories. The first category of reserves is 'Usable Reserves' i.e. those reserves that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences in the Movement in Reserve Statement line 'adjustments between accounting basis and funding basis under regulations'.

As at 31 March 2020		Note No.	As at 31 March 2021	
£'000			£'000	£'000
58,583	Property, Plant & Equipment	2	79,552	
71,973	Investment Properties		79,809	
1,083	Intangible Assets		710	
638	Investment in Joint Operations		650	
	Assets Held for Sale		490	
1,792	Heritage Assets		1,792	
0	Fixed Asset Investments		980	
2,106	Long Term Investments		0	
4,582	Long Term Debtors	3	2,943	
140,757	TOTAL LONG TERM ASSETS			166,926
28,471	Short Term Investments		24,899	
4,592	Inventories		4,923	
0	Trade Debtors		220	
9,973	Short Term Debtors		32,546	
2,146	Cash & Cash Equivalents	4	2,011	
293	Bank Accounts		613	
45,475	CURRENT ASSETS			65,212
(79,500)	Short term Borrowing		(98,000)	
	Bank Overdraft		0	
(1,048)	Third Party Cash		(1,091)	
(383)	Trade Creditors		(31,164)	
(10,923)	Short term Creditors	5	0	
(91,854)	CURRENT LIABILITIES			(130,255)
(880)	Provisions	6	(712)	
(4,091)	Developers Contributions Deferred		(4,829)	
(23)	Long Term Liabilities – Creditors		(33)	
(20)	Long Term Liabilities – Finance Lease		(5)	
(79,934)	Liability related to defined benefit pension scheme		(101,031)	
(84,948)	LONG TERM LIABILITIES			(106,610)
9,430	NET ASSETS			(4,727)
47,449	Usable Reserves		66,331	

638	Usable Reserve – Share in Joint Operations		650	
(37,434)	Unusable Reserves		(73,044)	
(1,223)	Unusable Reserves – Minority Interest		1,336	
9,430	TOTAL RESERVES			(4,727)

Group Cash Flow Statement (Brackets on this page represent income)

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

Year Ended 31 March 2020 £'000		Year Ended 31 March 2021 £'000
(9,001)	Net surplus/(deficit) on the provision of services	(10,954)
16,594	Adjustments to net surplus or deficit on the provision of services for non-cash movements (note 7)	27,962
(1,106)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (note 7)	(1,817)
6,487	Net cash flows from operating activities	15,191
(64,887)	Investing Activities (note 8)	(33,535)
59,969	Financing Activities	18,485
1,569	Net increase or decrease in cash and cash equivalents	141
(179)	Cash and Cash Equivalents (including bank overdraft) at 1 April	1,390
1,390	Cash and Cash Equivalents (including bank overdraft) at 31 March	1,531

Notes to the Group Financial Statements

1. Financing and investment income and expenditure

Previous year 2019/20 £'000		Current year 2020/21 £'000
997	Interest Payable and similar charges	273
2,251	Net interest on the net defined benefit liability	1,911
(263)	(Surplus)/Deficit on Trading Undertaking (note 39)	(211)
3,001	(Surplus)/Deficit on Investment Properties (note 18)	(2,107)
5,986	Total Financing and Investment Expenditure	(135)
(2,882)	Interest receivable and similar income	(2,149)
3,104	Total Financing and Investment Income and Expenditure	(2,284)

2. Property, Plant and Equipment

Movement in 2020/21:

	Total Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Assets Under Construction £0'00	Infrastructure Assets £'000	Community Assets £'000	Total Property Plant & Equipment £'000
Cost or Valuation						
As at 1 April 2020	45,188	5,189	11,329	1,097	726	63,529
Additions	601	246	14,278	0	86	15,211
Disposals	(170)	(0)	0	0	0	(170)
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	4,933	(0)	0	0	0	4,932
Revaluation Increases/(decreases) recognised in the surplus/deficit on the provision of Services	(4,065)	5,366	0	0	0	1,301
Impairment (losses)/reversals recognised in the surplus/deficit on the provision of services	(130)	17	0	0	0	(113)
Reclassification - Other	(576)	11,329	(11,329)	0	0	(576)
As at 31 March 2021	45,781	22,146	14,278	1,097	812	84,114
Accumulated Depreciation						

As at 1 April 2020	(2,793)	(2,000)	0	(152)	0	(4,945)
Depreciation charge	(1,338)	(1,448)	0	(16)	0	(2,803)
Depreciation written out to the surplus/deficit on the Provision of Services	2,094	1,071	0	0	0	3,165
Derecognition – Disposals	15	0	0	0	0	15
Derecognition – Reclassification	5	0	0	0	0	5
As at 31 March 2021	(2,017)	(2,377)	0	(168)	0	(4,563)
Net Book Value						
At 31 March 2021	43,764	19,769	14,278	929	812	79,552
At 31 March 2020	42,395	3,189	11,329	945	726	58,583

Comparative movement in 2019/20:

	Total Land & Buildings	Vehicles, Plant & Equipment	Assets Under Construction	Infra-structure Assets	Community Assets	Surplus Assets	Total Property Plant & Equipment
	£'000	£'000	£0'00	£'000	£'000	£'000	£'000
Cost or Valuation							
As at 1 April 2019	53,195	4,496	8,039	1,097	698	0	67,525
Additions	900	856	3,290	0	28	0	5,074
Disposals	0	(30)	0	0	0	0	(30)
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	(5,180)	(13)	0	0	0	0	(5,193)
Revaluation Increases/(decreases) recognised in the surplus/deficit on the provision of Services	(3,944)	(97)	0	0	0	0	(4,041)
Impairment (losses)/reversals recognised in the surplus/deficit on the provision of services	217	0	0	0	0	0	217
As at 31 March 2020	45,188	5,212	11,329	1,097	726	0	63,552
Accumulated Depreciation							
As at 1 April 2019	(2,687)	(1,189)	0	(136)	0	0	(4,012)
Depreciation charge	(1,283)	(877)	0	(16)	0	0	(2,176)
Depreciation written out to the surplus/deficit on the Provision of Services	1,177	13	0	0	0	0	1,190
Derecognition – Disposals	0	30	0	0	0	0	30
Derecognition – Reclassification	0	0	0	0	0	0	0
As at 31 March 2020	(2,793)	(2,023)	0	(152)	0	0	(4,968)
Net Book Value							
At 31 March 2020	42,395	3,189	11,329	945	726	0	58,584
At 31 March 2019	50,508	3,307	8,039	961	698	0	63,513

3. Long term debtors

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

31 March 2020 £'000		31 March 2021 £'000
4,154	Loans	2,667
3	Mortgages	1
276	Rights to receipts – long term lease	270
16	Car/bike/learning loans	5
4,449	Total Long Term Debtors	2,944

4. Short term debtors

31 March 2020 £'000		31 March 2021 £'000
497	Central Government Bodies	14,734
363	Other Local Authorities	8,232
2	NHS Bodies	35
9,111	Other Entities and Individuals	9,767
9,973	Total Short Term Debtors	32,767

5. Trade Creditors

Trade Creditors are found on the Balance Sheet of SSDC Opium Ltd.

6. Provisions

31 March 2020 £'000		31 March 2021 £'000
(792)	Business Rates Provisions for Appeals	(1,380)
(88)	MMI Provision	(88)
0	Provision for Group Liabilities	28
(880)	Total Provisions	(1,440)

7. Cash Flow Statement – Operating activities

The cash flows for operating activities include the following items:

Previous year 2019/20 £'000		Current Year 2020/21 £'000
1,631	Interest received	1,289
(243)	Interest paid	(1,928)
1,388	Net Cash Flows from Operating Activities relating to interest	(639)

Previous year 2019/20 £'000		Current Year 2020/21 £'000
2,683	Depreciation and amortisation	3,362
2,633	Impairment and downward valuations	2,465
5,431	Movement in market value of investment property	2,510
4,806	Increase/(decrease) in creditors	40,421
(419)	(Increase)/decrease in debtors	(25,245)
(774)	(Increase)/decrease in inventories	(331)
413	Increase/(decrease) in developer contributions	7
(522)	Increase/(decrease) in provisions	4,063
2,343	Movement in pension liability	555
0	Carrying amounts of non-current assets and non-current assets held for sale, sold or derecognized	155
16,594	Total Adjustments for Non-Cash Movements	27,962

Previous year 2019/20 £'000		Current Year 2020/21 £'000
(1,106)	Proceeds from the sale of property, plant and equipment and intangible assets	(1,817)
(1,106)	Total Adjustments for Investing and Financing Activities	(1,817)

8. Cash Flow Statement – Investing activities

Previous year 2019/20 £'000		Current Year 2020/21 £'000
(56,685)	Purchase of property, plant and equipment, investment property and intangible assets	(25,711)
(175,234)	Purchase of short-term and long-term investments	(2,730)
(7,594)	Other payments for investing activities	(16,497)
1,106	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,817
172,265	Proceeds from sale of short-term and long-term investments	9,500
1,255	Other receipts from investing activities	85
(64,887)	Net Cash Flows from Investing Activities	(33,535)

These are the only notes to the accounts which have material differences between the single entity (SSDC) and the Group Accounts.

Glossary of Terms

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

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

Accruals

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

Accumulated Absences Account

is the account that holds the differences between the amounts debited or credited to the Comprehensive Income and Expenditure Statement in accordance with the Code and the amounts debited and credited to the General Fund in accordance with the statutory regulations relating to accruals made for the cost of holiday entitlements earned by employees but not yet taken before the year end.

Agency Work

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

Amortised Cost

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

Annual Governance Statement (AGS)

sets out the arrangements the authority has put in place to manage and mitigate the risks it faces when meeting its responsibilities.

Apportionments

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

Appropriation

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

Asset

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

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

Audit of Accounts

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

Available-for-Sale Assets

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

Available-for-Sale Financial Instruments Reserve

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

Balances

is the accumulated surplus of revenue income over expenditure.

Balance Sheet

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

Budget

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

Capital Adjustment Account

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

Capital Charges

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

Capital Contributions/Grants

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

Capital Expenditure (Outlay)

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

Capital Discharged

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

Capital Financing Charges

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

Capital Programme

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

Capital Receipts

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

Cash Equivalents

are short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Cash Flow Statement

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

Cash Limited Budgets

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

Central Government Grants

comprise three types:

- Grants paid by central government to aid local authority services in general, as opposed to specific grants, which may only be used for a specific purpose.
- Specific service grants – grants in aid of services in which central government have a more direct involvement.
- Supplementary grants – grants in aid of both capital and revenue

CIPFA

is the Chartered Institute of Public Finance and Accountancy.

Code

is the Code of Practice of Local Authority Accounting that is generally based upon those accounting principles that are incorporated within approved accounting standards, modified to reflect the statutory framework in which local authorities operate. The Code states which accounts should be published as part of the Statement of Accounts, and the information to be included in each account.

Collection Funds

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

Collection Fund Adjustment Account

The Collection Fund Adjustment Account represents the council's share of the Collection Fund Surplus or Deficit.

Community Assets

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

Component Accounting

is when significant components of non-current assets are depreciated separately over their useful life.

Comprehensive Income and Expenditure Statement (CIES)

consolidates all the gains and losses experienced by an authority during the financial year.

Consistency

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

Corporate and Democratic Core

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

Creditors

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

Debtors

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

Depreciation

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

Derecognition

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

Earmarked Revenue Reserves

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

Easement

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

Effective Interest Rate

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

Emoluments

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

Employment Costs

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

Eurobonds

are debt contracts which records the borrowers' obligation to pay interest at a given rate and the principal amount of the bond specific dates.

Fair Value (Financial Instruments)

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

Fair Value (Tangible Assets)

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

Fair Value through Profit and Loss (FVPL)

is an accounting method for financial assets, all gains and losses including changes in fair value are taken to the Comprehensive Income and Expenditure Statement. Assets are "marked to market" and shown at fair value on the balance sheet, but the impairment model does not apply.

Fees and Charges

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

Finance Leases

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

Financial Instruments

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

Financial Instruments Adjustment Account

is the account which holds the differences between the amounts credited to the Comprehensive Income and Expenditure Statement in accordance with the Code and the interest income required to be credited to the General Fund in accordance with statutory regulations relating to amortization on the discount of the early redemption of PWLB loans.

Financing Transactions

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

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.

Gilt

is a bond issued by the government which offers the investor a fixed interest rate for a predetermined set time.

Housing Benefits

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

Impairment

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

Income

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

Infrastructure

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

Intangible Assets

are assets that do not have physical substance but are controlled by the council as a result of a past event.

Internal Service Recharge

Is a recharge from a department that provides professional and administrative support to other internal services.

IFRS

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

Investment

is the lending of surplus money to another party in exchange for interest.

Liability

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

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

Liquid Resources

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

Loans and Receivables

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

Long-term Investments

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

Materiality

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

Minimum Revenue Provision

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

Money Market Funds

are short term deposits that are deposited into a mutual fund that buys securities.

Movement in Reserves Statement (MIRS)

shows the movement in the year on the different reserves held by the council, analysed into 'usable reserves' and 'unusable reserves'.

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

Business Rates are collected locally, some of which is retained, and some is paid to Somerset County Council, Devon & Somerset Fire and Rescue, Central Government and Mendip District Council as lead authority of the Somerset Pool

Net Book Value

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

Net Current Replacement Cost

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

Net Realizable Value

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

New Homes Bonus

is a grant paid by central government to local councils for increasing the number of homes and their use. The New Homes Bonus is paid each year for four years. It is based on the amount of extra council tax revenue raised for new build homes, conversions and long-term empty homes brought back into use. There is also an extra payment for providing affordable homes.

Non-Current Asset

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

Non-Current Asset Held for Sale

is a non-current asset that becomes available for sale and it is probable that the carrying amount of that asset will be recovered through a sale transaction rather than through its continuing use.

Non-operational Assets

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

Operational Assets

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

Operating Leases

are all leases which are not finance leases.

Other Operating Costs

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

Pooled Fund Adjustment Account

is the adjustment account introduced to manage the fair value process for Pooled Fund Financial Assets. It is permitted to have a negative value provided that the losses posted to it are not impairment losses.

Precept

is the means by which Somerset County Council; Avon and Somerset Police Authority; Devon and Somerset Fire and Rescue Authority and the parishes obtain their revenue income from the District Council's Collection Funds.

Provisions

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

PWLB

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

Prudence

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

Rateable Value

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

Related Parties

are when at any time during the financial period: -

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

Related Party Transaction

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

Remuneration

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

Reserves

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

Residual Value

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

Revaluation Reserve

is a reserve which records the unrealised revaluation gains arising since 1 April 2007 from holding non-current assets.

Revenue Expenditure

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

Revenue Expenditure Funded Capital under Statute

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

Revenue Support Grant

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

Slippage

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

Usable Reserves

are reserves that can be applied to fund expenditure or reduce local taxation.

Contact Details for Further Information

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