

**SOMERSET WEST AND TAUNTON COUNCIL**

**AUDITED**

**STATEMENT OF ACCOUNTS 2022/23**

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# Narrative Report

## STATEMENT BY THE ASSISTANT DIRECTOR – FINANCE (S151 OFFICER)

### INTRODUCTION

Welcome to this Statement of Accounts for the year ending 31 March 2023 for Somerset West and Taunton Council (SWT).

This narrative tells the story of the council in 2022-23, seeking to highlight key issues in year for the reader who can then seek more detailed explanations in the financial statements and disclosure notes. Under the statutory deadlines for 2022-23 the council's draft accounts must be published by 31 May 2023 and then audited by 30 September 2023.

This report provides an important opportunity to summarise the financial performance and position for Somerset West and Taunton in its final year and summarises the resources that will transfer to Somerset Council on vesting day 1<sup>st</sup> April 2023.

The restructuring of local government in Somerset took effect on 1 April 2023 with Somerset County Council and four district councils, including SWT, being replaced with a new unitary authority – Somerset Council. Somerset Council will continue to deliver the services and functions previously provided in the two-tier structure.

Readers of the Statement of Accounts will be familiar with the many events affecting the UK. These include but are not limited to the lasting effects of the COVID-19 pandemic, struggling worldwide supply chains, high inflation, rising interest rates, global conflicts (particularly in Ukraine), and the energy crisis. These challenges all impact on individuals and organisations alike throughout our local community. Somerset West and Taunton Council, like all other local councils had to adapt to manage the implications of these influential factors.

Despite the financial pressures and increased risks, the Council closed the financial year with a high degree of financial resilience, underpinned by carefully managed budgets, service delivery and financial reserves.

### SOMERSET WEST AND TAUNTON COUNCIL – KEY INFORMATION

Somerset West and Taunton has an area of 469 square miles and an estimated population of 157,400. The district includes the county town of Taunton and an attractive mix of urban, rural, and coastal towns and villages.

As a shire district, the Council continues to deliver local services within a two-tier structure of principal local government authorities until 1 April 2023, when one unitary council will form to provide the same services. In the current structure, 'upper tier' services are provided by Somerset County Council and 'lower tier' services provided by SWT. The Council maintains responsibility for the management and ownership of its own social housing stock (more than 5,600 dwellings), which transferred from the former Taunton Deane Borough Council, with the costs and income for this being accounted for separately in a ring-fenced Housing Revenue Account (HRA).

The Council is responsible for a wide range of services including (but not limited to):

- Housing policy and enabling
- Housing – management of own stock
- Housing options and homelessness
- Planning
- Waste collection and recycling
- Regulatory services such as environmental health and licensing
- Council Tax and Business Rates administration

- Crematorium and bereavement services
- Economic development
- Housing benefits
- Provision of off-street parking
- Electoral registration and elections
- Building control
- Leisure and arts

## **NEW SOMERSET COUNCIL**

The Somerset (Structural Changes) Order 2022 was made on 17 March 2022, coming into force the following day. The Order confirmed that Somerset's five councils will be replaced by one single council – Somerset Council. The new single council will provide both county and district services across the existing county area from 1 April 2023 to deliver high quality sustainable local services across the county along with effective leadership at both strategic and local levels.

Following local elections to Somerset County Council, held on 6 May 2022, those elected as County Councillors have taken responsibility for all current County Council services for their first year, and will continue as Councillors of Somerset Council for a four-year term with next elections due in 2027.

SWT Councillors continued to serve in their district roles until 1 April 2023. On that date all the Somerset district councils will be wound up and dissolved.

Extensive planning and preparation work has been undertaken with the five councils working together collaboratively to ensure the transition to the new unitary is a success. The five Councils have shared implementation costs to the LGR budget held by Somerset County Council. During 2022/23 SWT directly incurred costs of £881k for Local Government Reform (LGR) providing capacity to support the transition and ensuring minimal disruption to 'business as usual' service. The aim has been to keep costs to a minimum with most transitional work delivered within existing management and staff resources through prioritisation of activity.

## **THE GOVERNANCE FRAMEWORK**

Somerset West and Taunton Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It is also responsible for ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. It also has a duty to continuously improve the way that it functions, having regard to effectiveness, quality, service availability, fairness, sustainability, efficiency and innovation.

To meet these responsibilities, the Council acknowledges its duty to have in place sound and proper arrangements for the governance of its affairs, including a reliable system of internal control, and for reviewing the effectiveness of those arrangements.

The governance framework comprises the systems and processes as well as the culture and values by which the Council is directed and controlled. Through these, it accounts to, engages with, and leads the community. It enables the Council to monitor the achievement of the strategic themes and expected outcomes as set out in our Corporate Strategy.

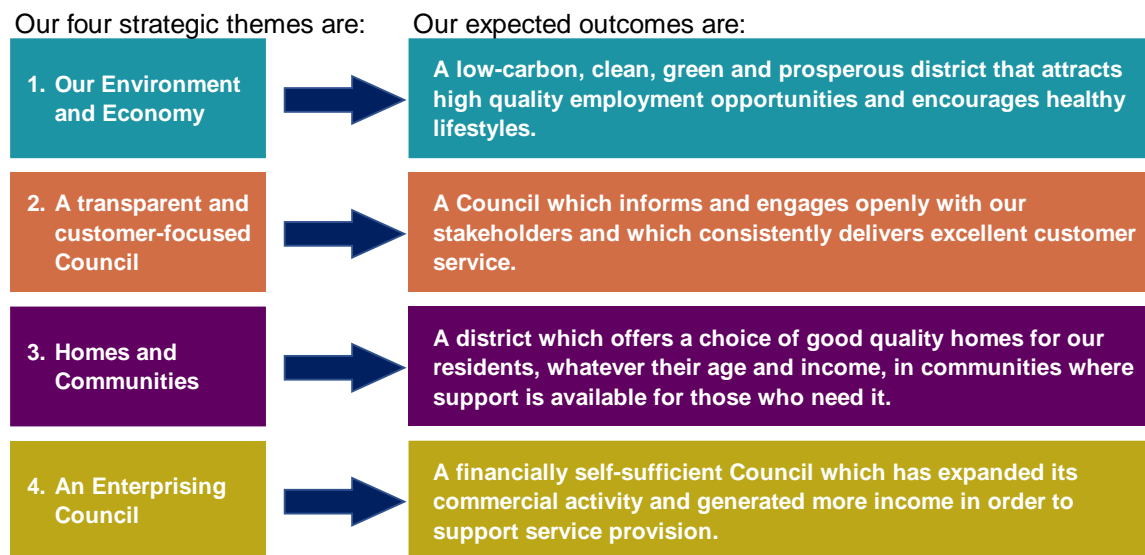
The Council's Local Code of Corporate Governance was last reviewed and approved by the Audit and Governance Committee on 13 March 2023.

To review the effectiveness of the governance framework, assurances are provided to, and challenged by, the Audit and Governance, Scrutiny, and Executive Committees or Full Council, as appropriate.

Further information is included in the Annual Governance Statement, which was approved by the Audit and Governance Committee on 13 March 2023.

## THE CORPORATE STRATEGY AND PLAN

The Corporate Strategy 2020-24 was approved by the full Council on 8 October 2019. It is the Council's key overarching strategic-planning document and, as such, contains high-level priority outcomes for the Council over the four-year period based on local needs, regional and national strategies. It helps us to focus our resources and drive improvement. It sets out where we will focus our energies and our increasingly limited resources and how we will measure our success.



Linked to the Corporate Strategy, the Council also publishes its Annual Action Plan, stating its intentions for each year to help achieve the strategic outcomes. The plan for 2022/23 laid out the major projects and initiatives to be focused on outside of our core work. It set out the key actions for our energy and resources over the 12 months to 31 March 2023.

## COUNCIL'S PERFORMANCE

During the year, performance was reported quarterly to the Scrutiny and Executive Committees, with the Corporate Performance Outturn reports for 2022/23 going to the new Somerset Council Cabinet in August 2023.

## DECISION MAKING AND RESPONSIBILITIES

The Council of 59 elected Members has an Executive of Lead Members who are supported and held to account by Scrutiny Committees.

Our Constitution sets out how the Council operates, how decisions are made and the procedures for ensuring that the Council is efficient, transparent and accountable to local people. It contains the basic rules governing the Council's business including responsibilities and functions of the Council, committees, the Executive and officers. It also contains the rules, protocols and codes of practice under which the Council, its Members and officers operate.

The Constitution sets out the functions of key governance officers, including the statutory posts of Chief Executive, Monitoring Officer and Section 151 (Chief Finance) Officer. It explains the role of these officers for ensuring that processes are in place for enabling the Council to meet its statutory

obligations and also for providing advice to Members, officers and committees on staff management, financial, legal and ethical governance issues.

## **MANAGING RISK**

The Council's Risk Management Policy is fundamental to the system of internal control. It involves an ongoing process to identify the risks to our policies, aims and objectives and to prioritise them according to likelihood and impact. It also requires the risks to be managed efficiently, effectively and economically. All Members and managers are responsible for ensuring that risk implications are considered in the decisions they take.

Detailed consideration of this is included in the Council's Annual Governance Statement, which was approved by the meeting of the Council's Audit and Governance Committee on 13 March 2023.

## **FINANCIAL MANAGEMENT**

The Council is financially resilient with a good level of revenue reserves, which are held to cover the costs of future planned work and projects, as a contingency for emergencies and unforeseen events and as a means of managing short and medium-term cashflows.

The Council set a balanced budget for 2022/23. Despite the challenges listed in the introduction, above, it is pleasing to report the Council has operated within budget for the year, reporting an underspend against final budget and an increase in general reserves of £1.034m. This follows continual budget management and regular reporting at all levels of the Council.

Looking forward, the financial landscape within local government remains challenging, evidenced by many years of ongoing reductions in grant funding from government. Reduced central government funding has, in turn, driven the need to make savings and deliver income growth through other sources. The Council has added to its commercial investment acquisitions and completed its strategy for developing this investment base. The aim of the strategy is to prudently diversify income sources and generate essential funds to enable local service priorities to continue to be delivered.

There are reasonable arrangements for effective financial control through our accounting procedures, key financial systems and the Financial Procedure Rules. These include established budget planning procedures and regular financial performance reports to Councillors.

Our treasury management arrangements, where the Council invests and borrows funds to meet its operating requirements, follow professional codes of practice and are subject to regular review and scrutiny.

The Council's financial statements and arrangements for securing value for money are reviewed each year by our external auditor. The Council has opted into the Public Sector Auditor Appointments framework, as an efficient approach to procuring external audit services. Grant Thornton UK LLP is our appointed auditor for 2022/23.

## **FINANCIAL PERFORMANCE**

### **General Fund Revenue Budget and Reserves**

The Council's Original Net Budget for 2022/23 was £17.018m, representing the net cost of General Fund services funded by Business Rates and Council Tax. In 2022/23 the Band D Council Tax rate for Somerset West and Taunton Council was £174.63 (being the average rate per

property), generating Council Tax income of £9.794m towards SWT Services (excluding £1.75 per property collected on behalf of Somerset Rivers' Authority).

The Council's actual net expenditure in 2022/23 was £17.265m which together with an in-year funding surplus resulted in a net underspend of £1.034m (-6.1% of final Net Budget). There were no carry forwards approved going into the new Council.

The net underspend arose due to combination of variances in several budget areas. These are explained in detail in the Council's General Fund Monitoring Outturn Position report for 2022/23, which may be accessed on the Council's website.

In summary the main underspends were due to:

- **Net Cost of Services:** The regular monitoring of financial information and the early reporting of variances by budget holders have enabled the senior management team to control the overall financial position of the Council, resulting in a net underspend of £171k (-0.6% of Net Budget) for net cost of services.
- **Net Interest Payable:** the Council's Treasury Management activities have been efficiently managed during the year against the backdrop of a volatile economic climate. A further £330k favourable variance on top of £500k transferred to unearmarked reserves during the year.
- **Minimum Revenue Position (MRP):** the Council estimates the value of the MRP charge during the budget setting process. The charge is then calculated as part of the year end process and has resulted in lower than estimated charge by £295k.
- **Renewable Energy Retained Income:** the Council was able to retain 100% of the 2021/22 surplus, that was settled during 2022/23, amounting to £344k.

The following table provides a summary of the financial results for the year compared to budget.

	Current Budget £000	Outturn £000	Variance	
			£000	%
Development and Place	3,125	3,135	10	0.3%
External Operations & Climate Change	9,352	8,491	-861	-9.2%
Housing & Communities	3,561	3,593	32	0.9%
Internal Operations	9,989	10,812	823	8.2%
Senior Management	451	417	-34	-7.5%
Local Government Reorganisation	1,022	881	-141	-13.8%
<b>Net Cost of Services</b>	<b>27,500</b>	<b>27,329</b>	<b>-171</b>	<b>-0.6%</b>
Investment Properties	-6,379	-6,341	38	-0.6%
Interest and Investment Income	-1,016	-1,346	-330	32.5%
Somerset Rivers Authority Contribution	99	99	0	0.0%
Expected Credit Losses	0	101	101	0.0%
Net Transfers to Earmarked Reserves	-5,573	-5,542	31	-0.6%
Net Transfers to General Reserves	2,841	2,842	1	0.0%
Capital and Other Adjustments	-446	123	569	-127.5%
<b>Net Budget</b>	<b>17,026</b>	<b>17,265</b>	<b>239</b>	<b>1.4%</b>
Funding	-17,026	-18,299	-1,273	7.5%
<b>Variance</b>	<b>0</b>	<b>-1,034</b>	<b>-1,034</b>	<b>-6.1%</b>

Note: Negative figures represent income / underspend.

Further information on spending on services, and other operating costs and income is shown within the Comprehensive Income and Expenditure Statement (CIES) and the Notes to the accounts.

The General Fund Unearmarked Reserves have increased from £7.592m at the start of the year to £11.468m as at 31 March 2023. This reflects reserves being actively bolstered to provide budget flexibility and financial resilience for the new Somerset Council in 2023/24 in light of significant financial pressures (e.g. rising inflation and rising cost of borrowing) created by the unstable economic operating environment seen in recent years. This was achieved by replacing revenue contributions to fund capital expenditure (RCCO) with borrowing for capital spend in 2022/23, releasing earmarked reserves that were no longer required for their original purpose and transferring treasury management surplus'.

The minimum assessed balance for adequate reserves is £2.4m therefore the balance provides a good degree of financial resilience for any pressures faced by the new Somerset Council in 2023/24 such as unforeseen cost increases and income reductions, and to hold funds that are likely to be needed to support transition to and implementation of local government restructuring.

The Council also carries Earmarked Reserve balances, which represent funds that have usually been set aside to support specific spending in future years plus contingencies for specific risks. In total the General Fund Earmarked Reserves balance at 31 March 2023 stands at £15.471m (£27.990m as at 31 March 2022).

This balance covers a wide variety of known planned spending commitments. Just over a quarter of the earmarked reserves are attributable to Business Rates funding to offset collection fund deficits in future years. Other balances have been set aside for managing risk on our investment portfolio and capital financing requirements. We also have reserves for Garden Town, economic development initiatives, asset management together with several other smaller commitments which we have prudently put aside.

## **CAPITAL SPENDING AND RESERVES**

In addition to our 'revenue' spending on day-to-day service provision, the Council spends money on assets such as land and buildings, vehicles and equipment, systems and technology, and contributions to jointly financed schemes.

General Fund capital spend in the year totalled £11.148m. The major areas of investment related to (a) the completion of the Coal Orchard construction (£1.9m), (b) obtaining planning consents to progress the re-development of the Firepool site and the commencement of the Drainage & Levels project (£2.8m), (c) continuing works on the Flood alleviation project on the Left bank of the Tone River and at Firepool Lock (£0.5m), (d) Purchase of the Green Spaces site in Wellington and continuing Heritage works at Toneworks in Wellington (£1.1m), and (e) Crescent Car Park improvement works (£0.7m).

Housing Revenue Account capital spend totalled £18.532m, with £9.8m on HRA major works and improvements, and £8.7m on social housing development schemes. The major works and improvements capital spend relates to the periodic replacement of major components in our existing housing stock such as kitchens, bathrooms, heating systems and other related works. The spend on the social housing development schemes has been driving forwards a significant investment in regenerating and building new social housing in the North Taunton area, as well as continuing work on building new housing in Seaward Way, Minehead.

The following table (below) identifies all capital schemes with spend over £0.4m during 2022/23:



<b>Capital Expenditure 2022/23</b>	<b>£000</b>
<b>General Fund</b>	
Coal Orchard Construction	1,852
Firepool Works	2,784
Heritage at Risk	1,104
Crescent Car Park Improvements	740
SWT Waste Vehicle and Depot Works Loan	565
Flood Alleviation	525
Community Infrastructure Levy Grants to Town and Parish Councils	509
Disabled Facilities Grants	437
Other General Fund Schemes (below £400k)	2,632
<b>Sub-Total – General Fund</b>	<b>11,148</b>

<b>HRA</b>	
Major Works	5,870
North Taunton	6,012
Fire Safety	3,200
Seaward Way	2,081
Other HRA (below £400k)	1,369
<b>Sub-Total HRA</b>	<b>18,532</b>

<b>Total Capital Expenditure</b>	<b>29,680</b>
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Capital expenditure is funded from a variety of sources, as shown in the table below:

<b>Sources of Capital Funding 2022/23</b>	<b>Outturn £000</b>
Capital Grants and Contributions	6,763
Capital Receipts	3,729
Revenue Funding and Earmarked Reserves	890
Major Repairs Reserve	9,802
Borrowing	8,496
<b>Sub-Total General Fund</b>	<b>29,680</b>

The General Fund Capital Programme has an approved capital budget of £67.499m to spend in 2023/24 and future years. The HRA Capital Programme has an approved capital budget of £97.797m to spend in 2023/24 and future years.

The Council plans to support future spending largely through a combination of existing capital reserves, capital receipts, major repairs reserve, external funding, and borrowing. Capital reserves reflect funds set aside to fund investment in capital items in future years, and largely comprise

grants, contributions and capital receipts that are committed on projects to be completed in the current approved capital programme.

The Council currently holds £50.421m of capital reserves (£45.589m in 2021/22). Borrowing will tend to be long-term fixed (50 years) for HRA, and short-term for General Fund. This will provide a balanced portfolio of debt for the forthcoming Unitary Council.

## BALANCE SHEET

The table below is an extract from our Balance Sheet showing the position at the year-end on 31 March 2023 and, for comparison, the balances held by the Council on 31 March 2022.

Balance Sheet Extract	31 March 2022 £000	31 March 2023 £000
Long-term assets	606,144	582,587
Net current liabilities – comprising debtors, stock and cash less short-term creditors, liabilities and provisions	-44,113	-67,618
Long-term liabilities	-248,039	-133,742
<b>Net assets</b>	<b>313,992</b>	<b>381,227</b>
Represented by: Usable reserves	84,638	80,873
Represented by: Unusable reserves	229,354	300,354
<b>Total Reserves</b>	<b>313,992</b>	<b>381,227</b>

## Housing Revenue Account (HRA) Budget and Reserves

The Council is a major provider of social housing, working closely with housing associations and other social landlords to provide affordable housing for tenants in the District. The Housing Revenue Account (HRA) only accounts for the costs and income related to provision of Council-owned accommodation. The Local Government Act 1989 requires that this expenditure is ring-fenced and cannot be subsidised by the General Fund.

The Net Budget for the HRA is £Nil, reflecting the self-financing nature of the account. However, financial performance is measured against the Gross Income budget, which is £28.282m for the year.

The HRA has reported an overspend of £227k for 2022/23 (£170k underspend in 2021/22).

HRA Outturn 2022/23	Current Budget £000	Outturn £000	Variance	
			£000	%
Gross Income	-28,282	-27,944	338	-1.2%
Service Expenditure	16,611	16,717	106	0.6%
Other Operating Expenditure & Income	11,672	11,454	-217	-1.9%
<b>Variance</b>	<b>0</b>	<b>227</b>	<b>227</b>	<b>0.8%</b>

The HRA Unearmarked Reserve has decreased from £3.413m at the start of the year to £2.986m at 31 March 2023. The year-end balance is above the minimum level set within the Council's financial strategy of £2m, providing some resilience for financial and service risks and opportunities.

The HRA Earmarked Reserve has increased from £54k at the start of the year to £258k at 31 March 2023. The reserves are committed to future spend related to funding approved to support the Home Moves Plus scheme, community grants, tenant satisfaction and electric vehicles.

### Treasury Management

- Total cash and cash equivalents plus short term investments at 31 March 2023 were £17.376m (£40.914m 31 March 2022). The main factors that would affect cash in the future are:
- Acquisition and disposals relating to the capital programme,
- The value of reserve balances,
- Movements in provisions for collection fund refunds and credit losses,
- Grants and contributions unapplied,
- Cashflow variations,
- Investment and borrowing decisions.

<b>Cash and Cash Equivalents</b>	<b>31 March 2022 £000</b>	<b>31 March 2023 £000</b>
Cash and other cash equivalents	20,566	1,691
Short-term investments	20,348	15,685
<b>Total</b>	<b>40,914</b>	<b>17,376</b>

In 2022/23, cash and cash equivalent balances were utilised to reduce new external borrowing needs in readiness for Somerset West and Taunton Council to become part of the new Unitary Council, Somerset Council on 1 April 2023.

### Pensions

The accounts show an updated view of the Council's share of the assets and liabilities of the Local Government Pension Fund, administered by Somerset County Council. Independent actuary, Barnet Waddingham LLP, has carried out calculations and provided a report on the financial performance of the fund for the Council's accounts. Their calculations are stipulated by International Accounting Standards.

In common with most, if not all, other local authorities, this council carries a deficit on its Pension Reserve. This reflects Somerset West and Taunton Council's share of the Pension Fund.

The financial highlights of the Council's share of the Pension Fund as at 31 March 2023 are:

- Pension assets have decreased by £1.5m to £164.2m (£165.7m in 2021/22),
- Pension liabilities have decreased by £96.6m to £194.8m (£291.4m in 2021/22),
- Unfunded liabilities have reduced by £0.9m to £2.4m (£3.3m in 2021/22), and thus
- The net deficit on the fund has reduced by £95.9m to £33.1m (£129.0m in 2021/22), a net reduction of 74.34%.

This means that the Balance Sheet position for the Council has markedly improved when compared to the deficit that was reported in 2021/22. The reduction in the liability is largely due to an increase in the discount rate the Actuary has applied, which has gone 2.6% to 4.8% because of the current economic climate and interest rates.

It is important to note that the accounting valuation position has no cash impact to the Council. Under the accounting standards the purpose of the accounts is to facilitate consistent comparison of pension positions between employers. The Accounting Standards prescribe how accounting calculations are carried out and a number of the assumptions are also largely prescribed.

In practice, a comprehensive review of the Fund's projected performance in real terms is conducted every three years by the actuary. It is the results of this triennial review that determine the Council's actual cash contributions into the Fund from its revenue budgets each year aiming to bring the pension scheme into a fully funded position over a 20-year term. The next triennial review to be completed will be based on the Fund position as at 31 March 2022.

## **FUTURE DEVELOPMENTS AND OUTLOOK**

### **Local Government in Somerset**

As mentioned earlier in this report, the new Somerset Council came into effect on 1<sup>st</sup> April 2023 and set a balanced budget in February 2023. As Somerset West and Taunton Council ceased from 1<sup>st</sup> April 2023 there was no budget set by the Council.

### **Financial Planning**

#### **Impact of high inflation & interest rates**

The current economic climate in the UK is that of very high inflation and high interest rates (in comparison with the past 10 years). In the case of inflation this will bring about increased pressures on the new Somerset Council budgets as higher costs from supplies work through into the council spend. Higher interest rates will result in the borrowing costs of the new council increasing, as lenders put up their rates to reflect the Bank of England base rate changes. However, the council will benefit from the increase in rates through improved investment returns from the interest it receives.

#### **Economic climate**

The May 2023 Bank of England Inflation Report can be read [here](#)

The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target, and in a way that helps to sustain growth and employment. At its meeting ending on 10 May 2023, the MPC voted by a majority of 7–2 to increase Bank Rate by 0.25 percentage points, to 4.5%. Two members preferred to maintain Bank Rate at 4.25%.

The Committee's updated projections for activity and inflation are set out in the accompanying May Monetary Policy Report. They are conditioned on a market-implied path for Bank Rate that peaks at around 4¾% in 2023 Q4 before ending the forecast period at just over 3½%.

There has been upside news to the near-term outlook for global activity, with UK-weighted world GDP now expected to grow at a moderate pace throughout the forecast period. Risks remain but, absent a further shock, there is likely to be only a small impact on GDP from the tightening of credit conditions related to recent global banking sector developments. Headline inflation has been falling in the United States and euro area, although core inflation measures remain elevated.

UK GDP is expected to be flat over the first half of this year, although underlying output, excluding the estimated impact of strikes and an extra bank holiday, is projected to grow modestly.

Economic activity has been less weak than expected in February, and the Committee now judges that the path of demand is likely to be materially stronger than expected in the February Report,

albeit still subdued by historical standards. The improved outlook reflects stronger global growth, lower energy prices, the fiscal support in the Spring Budget, and the possibility that a tight labour market leads to lower precautionary saving by households.

Although there are indications that the labour market has started to loosen, it is expected to remain tighter than in the February Report in the near term. The unemployment rate is now projected to remain below 4% until the end of 2024, before rising over the second half of the forecast period to around 4½%.

CPI inflation was 10.2% in 2023 Q1, higher than expected at the time of the February and March MPC meetings, with the upside surprise concentrated in core goods and food prices. Although still elevated, nominal private sector wage growth and services CPI inflation have been close to expectations.

CPI inflation is expected to fall sharply from April, in part as large rises in the price level one year ago drop out of the annual comparison. In addition, the extension in the Spring Budget of the Energy Price Guarantee and declines in wholesale energy prices will both lower the contribution from household energy bills to CPI inflation. However, food price inflation is likely to fall back more slowly than previously expected. Alongside news in other goods prices, this explains why the Committee's modal expectation for CPI inflation now falls back more slowly than in the February Report.

In the MPC's latest modal projection conditioned on market interest rates, CPI inflation declines to a little above 1% at the two and three-year horizons, materially below the 2% target. This reflects the emergence of an increasing degree of economic slack and declining external pressures that are expected to reduce CPI inflation. However, there remain considerable uncertainties around the pace at which CPI inflation will return sustainably to the 2% target.

## EXPLANATION OF ACCOUNTING STATEMENTS

The main financial statements contained within the Statement of Accounts are as follows.

- The **Comprehensive Income and Expenditure Statement (CIES)** (page 15) brings together details of the Council's day-to-day revenue spending and income on its services, and other gains and losses in the year.
- The **Movement in Reserves Statement** (page 16) shows the changes in the Council's financial resources over the year, by showing the movement on the different reserves held, analysed into 'usable reserves' (that can be used to fund spending) or other reserves
- The **Balance Sheet** (page 17) is a measure of the Council's financial position at a point in time (31 March) and sets out what is owned and what is owed.
- The **Cash Flow Statement** (page 19) summarises how the Council generates and uses cash and cash equivalents during the year.
- The **Notes to the Financial Statements** (pages 20 to 95) provide supplementary information on some of the figures contained within the primary statements. They also include accounting policies, which guide the treatment of income and expenditure, and disclosures relating to the assets and liabilities of the Council.

We include two supplementary financial statements, these being:

- The **Housing Revenue Account** (HRA, on pages 96 to 103) – whilst income and expenditure for the HRA is included within the CIES, above, the HRA remains a ring-fenced account which the Council is required to account for separately.
- The **Collection Fund** (pages 104 to 105) is the statement reflecting the Council's statutory obligation as a Billing Authority. As a Billing Authority, SWT issues Council Tax bills on behalf of all local authorities serving its area of responsibility. The Collection Fund is an

independent account of income relating to Council Tax and Non-Domestic Rates collected on behalf of those authorities.

Further explanations are included alongside each of these main statements within the Statement of Accounts and within the Notes to the Financial Statements.

## The Statement of Responsibilities for the Statement of Accounts

### The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Executive Director - Resources & Corporate Services for Somerset Council.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts (which is delegated to the Audit Committee of Somerset Council).

### Executive Director - Resources & Corporate Services responsibilities:

Executive Director - Resources & Corporate Services is responsible for the preparation of Somerset West and Taunton Council's Statement of Accounts which, in accordance with proper practices as set out in the CIPFA (Chartered Institute of Public Finance and Accounting) Code of Practice on Local Authority Accounting in the United Kingdom (referred to as the Code).

In preparing this Statement of Accounts, Executive Director - Resources & Corporate Services has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the local authority Code.

Executive Director - Resources & Corporate Services has also:

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

### Certification of the Accounts

This Statement of Accounts gives a true and fair view of the financial position of Somerset West and Taunton Council at 31 March 2023 and its income and expenditure for the year ended 31 March 2023.

### Approval of the Accounts

The draft unaudited Statement of Accounts was signed and issued by the Executive Director - Resources & Corporate Services on 30 June 2023.

## Comprehensive Income and Expenditure Statement (CIES)

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 (or rents). Councils raise taxation (and rents) to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the expenditure and funding analysis and the Movement in Reserves Statement. Details of the restated values affecting the Comprehensive Income and Expenditure Statement for 2021/22 are set out in a note of explanation for the prior year adjustment (see note 39).

2021/22 (Restated)				2022/23		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
12,359	-3,778	8,581		9,042	-4,407	4,635
24,251	-10,408	13,843		23,449	-11,585	11,864
5,689	-2,245	3,444		9,631	-6,278	3,353
45,947	-35,000	10,947		43,686	-31,737	11,949
737	-176	561		1,717	-305	1,412
26,594	-27,238	-644		26,983	-28,289	-1,306
<b>115,577</b>	<b>-78,845</b>	<b>36,732</b>		<b>114,508</b>	<b>-82,601</b>	<b>31,907</b>
		1,119	Other Operating Expenditure	<b>10</b>		1,770
		308	Financing and Investment Income and Expenditure	<b>11</b>		3,525
		-36,435	Taxation and Non-Specific Grant Income	<b>12</b>		-31,617
		<b>1,724</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>5,585</b>
		-45,595	Surplus (-) or deficit on revaluation of Property, Plant and Equipment assets			29,838
		-22,337	Remeasurement of the net defined benefit liability			-102,658
		<b>-67,932</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>-72,820</b>
		<b>-66,208</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>-67,235</b>



## Movement in Reserves Statement

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 statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council Tax (or rents) for the year. The net increase / decrease line shows the statutory General Fund balance and Housing Revenue Account (HRA) balance movements in the year following those adjustments. Details of the restated values affecting the Movement in Reserves Statement for 2021/22 are set out in a note of explanation for the prior year adjustment (see note 39).

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
<b>2022/23</b>								
<b>Balance at 1 April 2022</b>	<b>-35,581</b>	<b>-3,469</b>	<b>-18,398</b>	<b>-8,200</b>	<b>-18,990</b>	<b>-84,638</b>	<b>-229,354</b>	<b>-313,992</b>
<b>Movement in Reserves during 2022/23</b>								
Total Comprehensive Income and Expenditure	4,434	1,151				5,585	-72,820	-67,235
Adjustments between accounting basis and funding basis under regulations (note 8)	3,939	-926	-2,857	715	-2,691	-1,820	1,820	0
<b>Increase (-) / Decrease in 2022/23</b>	<b>8,373</b>	<b>225</b>	<b>-2,857</b>	<b>715</b>	<b>-2,691</b>	<b>3,765</b>	<b>-71,000</b>	<b>-67,235</b>
<b>Balance at 31 March 2023</b>	<b>-27,208</b>	<b>-3,244</b>	<b>-21,255</b>	<b>-7,485</b>	<b>-21,681</b>	<b>-80,873</b>	<b>-300,354</b>	<b>-381,227</b>
<b>2021/22</b>								
<b>Balance at 1 April 2021</b>	<b>-41,758</b>	<b>-3,792</b>	<b>-18,596</b>	<b>-6,773</b>	<b>-14,659</b>	<b>-85,578</b>	<b>-162,206</b>	<b>-247,784</b>
<b>Movement in Reserves during 2021/22 (Restated)</b>								
Total Comprehensive Income and Expenditure	404	1,319	0	0	0	1,723	-67,931	-66,208
Adjustments between accounting basis and funding basis under regulations (note 8)	5,773	-996	198	-1,427	-4,331	-783	783	0
<b>Increase (-) / Decrease in 2021/22</b>	<b>6,177</b>	<b>323</b>	<b>198</b>	<b>-1,427</b>	<b>-4,331</b>	<b>940</b>	<b>-67,148</b>	<b>-66,208</b>
<b>Balance at 31 March 2022</b>	<b>-35,581</b>	<b>-3,469</b>	<b>-18,398</b>	<b>-8,200</b>	<b>-18,990</b>	<b>-84,638</b>	<b>-229,354</b>	<b>-313,992</b>

## Balance Sheet

The Balance Sheet shows the value of the assets and liabilities recognised by the Council as at the annual Balance Sheet date of 31 March.

<b>(Restated)</b>				
<b>01 April 2021</b>	<b>31 March 2022</b>			<b>31 March 2023</b>
<b>£000</b>	<b>£000</b>		<b>Notes</b>	<b>£000</b>
312,891	353,095	Council Dwellings		337,243
106,921	107,796	Other Land and Buildings		98,355
5,326	4,936	Vehicles, Plant and Equipment		4,282
9,488	9,502	Infrastructure Assets		13,755
7,876	7,876	Community Assets		8,555
177	197	Surplus Assets		125
6,637	13,097	Assets Under Construction		17,738
<b>449,316</b>	<b>496,499</b>	<b>Total Property, Plant and Equipment</b>	<b>14</b>	<b>480,053</b>
141	141	Heritage Assets		156
50,044	103,064	Investment Property	15	99,378
1,099	1,935	Intangible Assets		1,718
3	3	Long-term Investments	16	0
5,352	4,502	Long-term Debtors	20	1,282
<b>505,955</b>	<b>606,144</b>	<b>Long Term Assets</b>		<b>582,587</b>
19,959	20,348	Short-term Investments	16	15,685
3,560	4,924	Assets Held for Sale	18	1,374
7,430	4,340	Inventories	19	834
35,594	20,972	Short-term Debtors	20	14,721
24,936	20,566	Cash and Cash Equivalents	21	1,691
<b>91,479</b>	<b>71,150</b>	<b>Current Assets</b>		<b>34,305</b>
-57,013	-75,042	Short-term Borrowing	16	-86,314
-32,621	-39,671	Short-term Creditors	22	-13,316
-1,252	-163	Grants Receipts In Advance, Revenue	32	-1,292
0	-111	Grants Receipts In Advance, Capital	32	0
-903	-276	Provisions	23	-1,001
<b>-91,789</b>	<b>-115,263</b>	<b>Current Liabilities</b>		<b>-101,923</b>
-105,683	-105,683	Long-term Borrowing	16	-88,682
-140,156	-128,970	Other Long-term Liabilities	36	-33,053
-4,051	-2,624	Grants Receipts In Advance, Revenue	32	-1,871
-4,354	-10,762	Grants Receipts In Advance, Capital	32	-10,136
<b>-254,244</b>	<b>-248,039</b>	<b>Long-term Liabilities</b>		<b>-133,742</b>
<b>251,401</b>	<b>313,992</b>	<b>Net Assets</b>		<b>381,227</b>
85,578	84,638	Usable Reserves	24	80,873
165,823	229,354	Unusable reserves	25	300,354
<b>251,401</b>	<b>313,992</b>	<b>Total Reserves</b>		<b>381,227</b>

Details of the restated values affecting the Balance Sheet for 2021/22 are set out in a note of explanation for the prior year adjustment (see note 39).

The unaudited draft accounts were issued on 30 June 2022.

Signed:

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Jason Vaughan FCCA, CPFA, IRRV (Hons)  
Executive Director - Resources & Corporate Services  
(Section 151 Officer), Somerset Council  
30 June 2023

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 are usable reserves – these are reserves that the Council may use to provide services, which is subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).
- The second category of reserves - 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 the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'adjustments between accounting basis and funding basis under regulations'.

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Authority 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 Authority.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery.

Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

<b>2021/22</b>			<b>2022/23</b>
<b>£000</b>			<b>£000</b>
<b>(Restated)</b>		<b>Notes</b>	
<b>-1,724</b>	<b>Net surplus or deficit (-) on the provision of services</b>	CIES	<b>-5,585</b>
54,359	Adjustments to net surplus or deficit on the provision of services for non cash movements	26	16,138
-4,221	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities	26	-8,142
<b>48,414</b>	<b>Net cash flows from Operating Activities</b>		<b>2,411</b>
-87,489	Investing Activities	27	-15,286
18,000	Financing Activities	28	-6,000
<b>-21,075</b>	<b>Net increase or decrease (-) in cash and cash equivalents</b>		<b>-18,875</b>
41,641	Cash and cash equivalents at the beginning of the reporting period	21	20,566
<b>20,566</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	21	<b>1,691</b>

Details of the restated values affecting the Cash Flow Statement for 2021/22 are set out in a note of explanation for the prior year adjustment (see note 39).

## Notes to the Core Financial Statements

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

### Note 1. Accounting Policies

#### i General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end on 31 March 2023. The Accounts and Audit Regulations 2015 (as amended) require the Council to prepare an annual Statement of Accounts in accordance with proper accounting practice, namely the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, supported by International Financial Reporting Standards (IFRS). These practices are recognised by Section 21 of the 2003 Act, accompanied by 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, Somerset West and Taunton Council will cease to exist with effect from close of business on 31 March 2023. The assets and liabilities of Somerset West and Taunton Council will transfer to the newly created unitary authority, Somerset Council.

#### ii 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.
- 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.

#### iii Cash and Cash Equivalents

Cash and cash equivalents include cash balances, bank balances and short-term investments with an initial maturity period of less than 3 months from acquisition. Cash Equivalents are highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

This policy represents an amendment to that used in 2021/22 and earlier years. In the earlier years' policy, the timescale attached to cash equivalents was measured as one month or less from the date of the Balance Sheet. The revised policy is a more-appropriate measure of short-term investments at the Balance Sheet date. It is consistent with that employed by the current Somerset County Council with that to be applied by the new unitary Somerset Council after 1 April 2023.

As a result of this change, a prior year adjustment has been made to the Balance Sheet and to the disclosure Note 21 in respect of 2021/22.

#### **iv Charges to Revenue for Non-Current Assets**

Services and support services are debited with the following amounts to record the cost of holding non-current (fixed) 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, and
- Amortisation of intangible assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or 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 Council in accordance with statutory guidance. This is termed 'Minimum Revenue Provision' (MRP). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by MRP in the General Fund balance and Housing Revenue Account balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### **v Council Tax and Non-Domestic Rates**

Billing authorities act as agents, collecting Council Tax and Business Rates on behalf of the major preceptors (including government for Business Rates), and as principals, collecting Council Tax and Business Rates for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and Business Rates. 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 Business Rates collected could be less or more than predicted.

#### **Accounting for Council Tax and Business Rates**

The Council Tax and Business Rates income included in the CIES is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and Business Rates that must be included in the authority's General Fund. Therefore, the difference between the income included in the CIES 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 Business Rates relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

## **vi Employee Benefits**

### **Benefits Payable During Employment**

Short-term employee benefits include such benefits as wages and salaries, paid annual leave, paid sick leave, and non-monetary benefits (e.g. cars) for current employees. They are charged as an expense to the relevant service line within the CIES.

An accrual is made for the cost of unused holiday entitlements; this is similarly charged to the relevant service, but then reversed out through the Movement in Reserves Statement to the Accumulated Absences Account; in this way, accrued holiday pay is only charged against the General Fund or HRA balance in the year that an authority makes cash settlements or employees take their entitlement, in accordance with statutory provisions.

### **Termination Benefits**

Termination benefits are payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accrual basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council 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 Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners plus any such amounts payable but unpaid at the year-end.

### **Post-Employment Benefits**

Employees of the Council are members of the Local Government Pensions Scheme, administered by Somerset County Council (SCC). The Local Government Scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

### **The Local Government Pension Scheme**

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

- The liabilities of the SCC pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates,

employee turnover rates, etc., and projections of future earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 4.80%, which is based on yields on high quality (usually AA-rated) corporate bonds, taking into account the term of the pension scheme's liabilities.
- The assets of the SCC pension fund attributable to the Council 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 pension 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 – allocated in the CIES to the services for which the employees worked.
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the CIES.
- net interest on the net defined benefit liability – i.e. net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES – 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 at the beginning of the period – taking into account any changes in the net defined benefit liability 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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses – changes in the net pension 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 SCC 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 and Housing Revenue Account balance to be charged with the amount payable by the Council to the pension fund 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 any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund and Housing Revenue Account 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 Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

## **vii Events After The Reporting Period**

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

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and
- Those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure of the nature of the events and their estimated financial effect is made in Note 6 to the Core Financial Statements (Events After the Balance Sheet Date).

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

## **viii Financial Instruments**

### **Financial Liabilities**

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

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

### **Financial Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. The Council carries two main classes of financial assets, measured at:

- amortised cost;
- fair value through profit or loss (FVPL).

The Council's business model is to buy and hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

### **Financial assets measured at amortised cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective interest rate for the instrument.

For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the sale or disposal of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES in the year of sale or disposal.

### **Financial Assets Measured at Fair Value through Profit or Loss (FVPL)**

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are determined as follows:

- instruments with quoted market prices – the market price; and
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs - quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 – unobservable inputs for the asset.

Any gains and losses that arise on the sale or disposal of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

### **Expected Credit Loss Model**

The Council recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets.

Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

A simplified approach to expected credit losses is permitted and used for trade receivables (debtors) and HRA rent debtors held by the Council.

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.

#### **ix 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 CIES 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 CIES.

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance or Housing Revenue Account 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.

#### **x Community Infrastructure Levy**

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy is charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects to support the development of the area.

CIL is received without outstanding conditions. It is therefore recognised at the commencement date of the chargeable development in the CIES in accordance with the accounting policy for Government grants and contributions as set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure.

#### **xi Intangible Assets**

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible assets held by the Council meet this criterion and they are,

therefore, carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the CIES. An asset is tested for impairment whenever there is an indication the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

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

## **xii Investment Property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services, for non-commercial local regeneration or for 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 CIES. 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 of the CIES and result in a gain for the General Fund balance. However, revaluation and disposal gains are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any proceeds greater than £10,000) the Capital Receipts Reserve.

## **xiii Leases**

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

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

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

A new accounting standard (IFRS 16) has been produced that introduces a revision to the methodology of carrying leases in an entity's financial accounts. Essentially, IFRS 16 would bring financing arrangements that meet the definition of Finance Leases onto the Balance Sheet. However, as part of a sector-wide consultation process, CIPFA/ LASAAC have stated their decision to defer the implementation of IFRS 16 until 1 April 2024 (essentially

deferring it for inclusion in the 2024/25 Code, although the actual date of inclusion into the Code remains subject to annual review).

## **The Council as Lessee**

### ***Operating Leases***

Rentals paid under operating leases are charged to the CIES as an expense of the services benefitting from the use of the leased property, plant or equipment. Charges are made on a straight-line basis over the term 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 Council as Lessor**

### ***Operating Leases***

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES. 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.

## **xiv 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.

## **xv Property, Plant and Equipment**

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

### **Recognition**

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals' basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. day-to-day repairs and maintenance) is charged as an expense when it is incurred. The Council has a discretionary de minimis level for recognising property, plant and equipment of £10,000.

### **Measurement**

Assets are initially measured at cost, comprising:

- The purchase price,
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management,
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the CIES, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the CIES, they are reversed out of the General Fund balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost;
- non-property assets – where these have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value;
- Dwellings – current value, determined using the Existing Use Value for social housing;
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective;
- Property/land specialist assets – where there is no market-based evidence of current value because of the specialist nature of an asset, Depreciated Replacement Cost is used as an estimate of current value; and
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (Existing Use Value).

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, and fully revalued 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 CIES where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- 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 CIES.

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.

## **Depreciation**

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives, computed on a straight-line basis. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets

under construction). Useful economic lives of land, buildings and dwellings, are determined by professional Valuers, employed by the Council.

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

- Council Dwellings – Various components over useful lives of between 15-70 years
- Other Land and Buildings – Straight Line allocation over a useful life of up to 60 years
- Vehicles Plant and Equipment – Straight line basis over a useful life of up to 25 years
- Infrastructure – Depreciation on a straight-line basis over 25 years

Where an item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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.

### **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 as follows:

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, or

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 CIES.

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

### **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 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 CIES. 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 CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals is payable to the government. The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

## **xvi Provisions and Contingent Liabilities**

### **Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation likely to require settlement by a transfer of economic benefit or service potential and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service in the CIES in the year that the Council becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks, materiality and uncertainties.

### **Contingent Liabilities**

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

### **Contingent 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.

Neither Contingent Liabilities nor Contingent Assets are recognised in the balance sheet. Instead, they are disclosed in separate notes to the accounts.



## **xvii Reserves**

The Council sets aside specific amounts as reserves for future policy purposes and/or to cover contingencies. Reserves are created by transferring amounts out of the General Fund balance or Housing Revenue Account 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 CIES. The reserve is then transferred back into the General Fund balance or Housing Revenue Account balance so that there is no net charge against Council Tax for the expenditure.

Separate reserves are maintained for capital and revenue spending; in line with legislation and accounting practice, capital reserves cannot be used to support general revenue spending although revenue reserves may be used to support capital spending.

Certain reserves are held to manage the accounting processes for non-current assets, financial instruments, local taxation, and retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

## **xviii Revenue Expenditure Funded from Capital under Statute**

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

## **xix VAT**

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

## **xx Fair Value Measurement of non-financial assets**

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset takes place either:

- a) in the principal market for the asset, or
- b) in the absence of a principal market, in the most advantageous market for the asset.

The Council measures the fair value of an asset using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly; and
- Level 3 – unobservable inputs for the asset.

## **xxi Inventories**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. In relation to stocks and stores of materials and goods, the cost of inventories is assigned using the FIFO (first in first out) costing formula.

For long-term contracts/ projects, such as those involving the construction of assets for resale, the cost of inventories is assigned by using specific identification of their individual costs. The cost is included in the Balance Sheet until sold, at which point the cost and income attributable to sold inventory assets are recognised in the CIES.

## **xxii Prior period adjustments, changes in accounting policies and estimates and errors**

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

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.

## **Note 2. Accounting Standards That Have Been Issued But Have Not Yet Been Adopted**

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. The Code requires an authority to disclose 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 by the Code for the relevant financial year.

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code:

- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.

- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

It is anticipated the above amendments will not have a material impact on the information provided in the statement of accounts.

### **Note 3. Critical Judgements in Applying Accounting Policies**

In applying the accounting policies, set out as Note 1 to the Core Financial Statements, the Council has had to make judgements about complex transactions or those involving uncertainty about future events. The main critical judgements made in this Statement of Accounts for 2022/23 are set out below:

- The 2016 funding settlement increased certainty with the offer of a four-year settlement to any council that wished to take it up, alongside indicative allocations for each year of the Spending Review period. At this point, it was expected the government would implement the outcomes of the Fair Funding Review, reset the Business Rates baseline and also extend Business Rates Retention to a 75% scheme. The anticipated effects of these would have been detrimental to the future funding for district councils. All of these were delayed due to the Pandemic and were not implemented for the subsequent years, including 2022/23. It now appears increasingly likely they will also not be implemented in the immediate future, including 2023/24. However, this does remain a risk and reserves are being held accordingly to protect the medium term financial position of the council.
- The council classifies the leases it holds, both as a lessee and lessor, as either operating or finance leases. Under International Financial Reporting Standards the council is deemed to control assets that fall within contractual and other arrangements which involve the provision of a service using specific assets and which therefore are considered to contain a lease. The appropriate accounting policy for each lease has been applied to these arrangements (where they have been identified) and as a result additional assets are recognised as Property, Plant and Equipment in the council's Balance Sheet.

### **Note 4. 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 authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. The assumptions and other sources of estimation uncertainty disclosed below relate to the estimates that require the authority's most difficult, subjective or complex judgements. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increases, those judgements become more subjective and complex. As a result, balances cannot be determined with certainty and actual results could be materially different from the assumptions and estimates.

The items in the authority's Balance Sheet as at 31 March 2023, for which there is a significant risk of material adjustment in the forthcoming financial year, are set out as follows:

Item	Significant Uncertainties	Effect if Actual Results Differ from Assumptions
Land and Buildings and Council Dwellings	<p>Assets are depreciated over their estimated useful lives. If in the current economic climate historic levels of repairs and maintenance expenditure cannot be sustained, the useful lives of assets may reduce. Assets are held on a valuation basis. Valuations are inherently subjective and based on the expert judgement of the Council's valuers, which include assumptions in respect of market value, yields and obsolescence.</p>	<p>The incorrect application of expert judgement in the valuation of assets could result in a material misstatement of the asset values on the Balance Sheet in either this financial year or in future years. For example, a change in the underlying assumptions that leads to a 1% increase in property values, the net book value as at 31<sup>st</sup> March 2023 of £435.6m, would see an increase in value of circa £4.4m.</p>
Investment Properties - Fair Value Measurements	<p>When the fair values of financial assets and liabilities cannot be measured based on quoted prices in active markets their fair value is measured using valuation techniques. Where possible, the inputs to these techniques are based on observable data but where this is not possible, the application of judgement is required. These judgements typically include considerations such as uncertainty and risk.</p> <p>Where quoted prices are not available the Council employs relevant experts to identify the most appropriate valuation technique to determine fair value. Further information about determining fair value is disclosed in Notes 15 and 16.</p>	<p>Significant changes in any of the unobservable inputs would result in a significantly higher or lower fair value measurement for investment properties.</p> <p>A change in the underlying assumptions that leads to a 1% increase in investment property values, the net book value of as at 31<sup>st</sup> March 2023 of £99.4m, would see an increase in value of circa £1.0m based on the property portfolio valued as at 31 March 2023.</p>

Item	Significant Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	<p>Estimates of the net liability to pay pensions depends on a number of complex judgements relating to various key components, including 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.</p> <p>Recent signs of volatility in UK economic conditions can further impact on these assumptions, increasing the level of uncertainty.</p> <p>The Council works in partnership with Somerset County Council to engage actuaries to provide expert advice about the assumptions to be applied. Part of the valuation process is to review previous assumptions and test them against what actually happened, to provide further data for future assumptions.</p>	<p>The effects on the net pension liability of many changes in individual assumptions can be measured. For example, if the discount rate were to change by plus or minus 0.1% from its assumed 4.80%, then the projected present value in total obligation cost would be between £3.5m lower to £3.8m higher. A similar change of 1 year in the mortality age range assumption means the projected present value in total obligation cost could rise by £3.8m or fall by £3.5m.</p>
	<p>The assumptions are both difficult to predict from historical data and likely to change significantly in the short to medium term. The pension liability and its underlying data is therefore very much a carefully-reasoned estimate of the most likely combination of factors but, by the very nature of the components involved, the level of uncertainty is regarded as being significant.</p>	<p>However, the assumptions interact in complex ways; for example, pension membership may fall, the proportion of commutable pension exchanged by members for cash on retirement may go up while members live longer and equity yields improve.</p>

The significant assumptions applied by the Valuers in estimating the current values of property are set out in greater detail within Note 14 to the Balance Sheet (Property, Plant and Equipment).

#### Note 5. Material Items of Income and Expense

The Coal Orchard development in Taunton generated £4.494m of net capital receipts from the disposal of 25 residential properties during 2022/23. More detail can be seen within the Inventories note (note 19).

The Council incurs a significant proportion of spend on benefit payments, which is funded predominantly by Government grant. Housing Benefit and subsidy payments are included within Internal Operations on the face of the CIES and payments amounted to £27.570m in 2022/23 (£28.615m in 2021/22). Housing Benefit subsidy amounted to £27.245m in 2022/23 (£28.467m in 2021/22).

**Note 6. Events After the Balance Sheet Date**

There have been no other events after the balance sheet date of 31 March 2023 that require the financial statements or notes to be adjusted for 2022/23.

**Note 7. Expenditure and Funding Analysis**

The Expenditure and Funding Analysis (overleaf) shows how annual expenditure is used and funded from resources (government grants, rents, Council Tax and Business Rates) by councils in comparison with those resources consumed or earned by councils in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's portfolios. Income and expenditure accounted for under (generally accepted) accounting practices is presented more fully in the CIES.

			2022/23		
	As Reported for Resource Management	Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances (Note 7a)	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis (Note 7a)	Net Expenditure in the CIES
2022/23	£000	£000	£000	£000	£000
Development and Place	3,135	-671	2,464	2,171	4,635
External Operations & Climate Change	8,491	-1,733	6,758	5,105	11,863
Housing & Communities	3,593	-1,326	2,267	1,086	3,353
Internal Operations	10,812	-2,399	8,413	3,537	11,950
Senior Management Team	1,297	0	1,298	114	1,412
Housing Revenue Account	0	-11,921	-11,921	10,615	-1,306
<b>Net Cost of Services</b>	<b>27,328</b>	<b>-18,050</b>	<b>9,279</b>	<b>22,628</b>	<b>31,907</b>
Other Income and Expenditure	-28,362	27,680	-682	-25,640	-26,322
<b>Surplus (-) or Deficit</b>	<b>-1,034</b>	<b>9,630</b>	<b>8,597</b>	<b>-3,012</b>	<b>5,585</b>
Opening General Fund and HRA Balances			-39,050		
Surplus (-) or Deficit on General Fund and HRA Balances in Year			8,597		
<b>Closing General Fund and HRA Balances at 31 March *</b>			<b>-30,453</b>		

\* For a split of this balance between the General Fund and the HRA please see the Movement in Reserves Statement.

	As Reported for Resource Management	Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances (Note 7a)	2021/22 Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis (Note 7a)	Net Expenditure in the CIES
	£000	£000	£000	£000	£000
Development and Place	2,759	-721	2,038	6,543	8,581
External Operations & Climate Change	8,094	-2,100	5,994	7,849	13,843
Housing & Communities	2,928	-546	2,382	1,062	3,444
Internal Operations	9,482	-2,198	7,284	3,663	10,947
Senior Management Team	473	0	473	88	561
Housing Revenue Account	-170	-11,222	-11,392	10,748	-644
<b>Net Cost of Services</b>	<b>23,566</b>	<b>-16,787</b>	<b>6,779</b>	<b>29,953</b>	<b>36,732</b>
Other Income and Expenditure	-26,085	25,807	-278	-34,729	-35,007
<b>Surplus (-) or Deficit</b>	<b>-2,519</b>	<b>9,020</b>	<b>6,501</b>	<b>-4,776</b>	<b>1,725</b>
Opening General Fund and HRA Balances			-45,550		
Surplus (-) or Deficit on General Fund and HRA Balances in Year			6,500		
<b>Closing General Fund and HRA Balances at 31 March *</b>			<b>-39,050</b>		

\* For a split of this balance between the General Fund and the HRA please see the Movement in Reserves Statement.



**Note 7a. Adjustments between Funding Basis and Accounting Basis**

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Statutory Differences	Total Adjustment Between Funding and Accounting Basis
				£000
	Note i £000	Note ii £000	Note iii £000	£000
<b>2022/23</b>				
Development and Place	1,693	470	8	2,171
External Operations & Climate Change	4,557	553	-5	5,105
Housing & Communities	820	273	-7	1,086
Internal Operations	605	2,924	8	3,537
Senior Management Team	0	112	2	114
Housing Revenue Account	9,220	1,381	14	10,615
<b>Net Cost of Services</b>	<b>16,895</b>	<b>5,713</b>	<b>20</b>	<b>22,628</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	-21,942	1,027	-4,725	-25,640
<b>Difference between General Fund Surplus or Deficit and CIES Surplus or Deficit on the Provision of Services</b>	<b>-5,047</b>	<b>6,740</b>	<b>-4,705</b>	<b>-3,012</b>

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Statutory Differences	Total Adjustment Between Funding and Accounting Basis
				£000
	Note i £000	Note ii £000	Note iii £000	£000
<b>2021/22</b>				
Development and Place	6,091	469	-17	6,543
External Operations & Climate Change	2,940	4,899	10	7,849
Housing & Communities	701	348	13	1,062
Internal Operations	661	3,018	-16	3,663
Senior Management Team	0	93	-5	88
Housing Revenue Account	9,836	939	-27	10,748
<b>Net Cost of Services</b>	<b>20,229</b>	<b>9,766</b>	<b>-42</b>	<b>29,953</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	-26,751	1,385	-9,363	-34,729
<b>Difference between General Fund Surplus or Deficit and CIES Surplus or Deficit on the Provision of Services</b>	<b>-6,522</b>	<b>11,151</b>	<b>-9,405</b>	<b>-4,776</b>

### Note 7a. i - 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 for debt repayment 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** – 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 line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

### Note 7a. ii - Net change for the pensions adjustments

Net change for the removal of pension contributions and the addition of IAS 19 *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 7a. iii - Other statutory adjustments

Other statutory adjustments between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute:

- **For Financing and investment income and expenditure** the other statutory adjustments column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under **Taxation and non-specific grant income** represents the difference between what is chargeable under statutory regulations for Council Tax and Business Rates 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 a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

## **Note 8. 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 the 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. The balance is not available to be applied to fund Housing Revenue Account (HRA) services.

### **Housing Revenue Account (HRA) Balance**

The HRA Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

### **Major Repairs Reserve**

The Council is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year-end.

### **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 year-end.

### **Capital Grants Unapplied**

The Capital Grants Unapplied Account (Reserve) 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.

The table below shows the adjustments that have been made between the accounting basis and funding basis:

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000
<b>2022/23</b>					
<b>Adjustments to the Revenue Resources</b>					
<i>Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements</i>					
Pension costs (transferred to or from the Pensions Reserve)	-5,126	-1,615	0	0	0
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	-1,669	0	0	0	0
Council Tax and NNDR (transfers to or from the Collection Fund)	6,394	0	0	0	0
Holiday Pay (transferred to or from the Accumulated Absences Account)	-8	-13	0	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (charged to the Capital Adjustment Account)	-4,053	-11,640	0	0	-10,135
<b>Total Adjustment to Revenue Resources</b>	<b>-4,462</b>	<b>-13,268</b>	<b>0</b>	<b>0</b>	<b>-10,135</b>
<b>Adjustment between Revenue and Capital Resources</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve Reserve)	4,852	3,291	-8,142	0	0
Posting of HRA resources from revenue to the Major Repairs Reserve	0	9,087	0	-9,087	0
Statutory provision for the repayment of debt (transfer from capital adjustment account)	2,687	0	2,645	0	0
Capital expenditure financed from revenue balances	862	0	0	0	0
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>8,401</b>	<b>12,342</b>	<b>-5,461</b>	<b>-9,087</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>					
Use of the Capital Receipts reserve to finance capital expenditure	0	0	3,428	0	0
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	9,802	0
Application of capital grants to finance capital expenditure	0	0	0	0	7,444
Deferred Debtors repaid	0	0	-824	0	0
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>2,604</b>	<b>9,802</b>	<b>7,444</b>
<b>Total Adjustments 2022/23</b>	<b>3,939</b>	<b>-926</b>	<b>-2,857</b>	<b>715</b>	<b>-2,691</b>

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000
<b>2021/22</b>					
<b>Adjustments to the Revenue Resources</b>					
<i>Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements</i>					
Pension costs (transferred to or from the Pensions Reserve)	-9,480	-1,671	0	0	0
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	758	0	0	0	0
Council Tax and NNDR (transfers to or from the Collection Fund)	8,606	0	0	0	0
Holiday Pay (transferred to or from the Accumulated Absences Account)	15	27	0	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (charged to the Capital Adjustment Account)	-2,092	-11,572	0	0	-9,801
<b>Total Adjustment to Revenue Resources</b>	<b>-2,193</b>	<b>-13,216</b>	<b>0</b>	<b>0</b>	<b>-9,801</b>
<b>Adjustment between Revenue and Capital Resources</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	851	3,370	-4,221	0	0
Admin costs of non-current asset disposals (funded by a contrib'n from the Capital Receipts Reserve)	0	-46	46	0	0
Payments to the gov't housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	0	-382	382	0	0
Posting of HRA resources from revenue to the Major Repairs Reserve	0	8,209	0	-8,209	0
Statutory provision for the repayment of debt (transfer from capital adjustment account)	2,624	1,069	0	0	0
Capital expenditure financed from revenue balances	4,491	0	0	0	0
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>7,966</b>	<b>12,220</b>	<b>-3,793</b>	<b>-8,209</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>					
Use of the Capital Receipts reserve to finance capital expenditure	0	0	3,991	0	0
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	6,782	0
Application of capital grants to finance capital expenditure	0	0	0	0	5,470
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>3,991</b>	<b>6,782</b>	<b>5,470</b>
<b>Total Adjustments 2021/22</b>	<b>5,773</b>	<b>-996</b>	<b>198</b>	<b>-1,427</b>	<b>-4,331</b>

**Note 9. Movements in Earmarked Reserves**

The tables below show the amounts set aside from the General Fund and HRA balances in capital or revenue earmarked reserves to provide financing for future expenditure plans. It also shows the movement in each major earmarked reserve where amounts have either been posted to the reserve or back to meet General Fund and HRA expenditure in 2022/23.

Reserves indicated with an asterisk (\*) are held for capital purposes.

<b>Earmarked Reserves</b>	<b>Balance at 01/04/2021 £000</b>	<b>Transfers Out £000</b>	<b>Transfers In £000</b>	<b>Balance at 31/03/2022 £000</b>	<b>Transfers Out £000</b>	<b>Transfers In £000</b>	<b>Balance at 31/03/2023 £000</b>
Investment Risk Reserve	3,673	-673	151	3,151	-114	1,003	4,040
Business Rates Smoothing Reserve	5,375	-2,011	1,989	5,353	-3,227	1,397	3,523
Capital Financing Reserve *	143		1,270	1,413	-814	1,172	1,771
COVID - S31 Business Rates TIG	3,081	-999	416	2,498	-1,602		896
Garden Village	870	-231	340	979	-413	134	700
Investment Properties Sinking Fund	0		500	500		200	700
SWP 22-23 Year End Balances	0			0		492	492
Strategic Housing Market Area Assessment	533	-36		497	-39		458
Toneworks Heritage Site	2	-1,093	1,257	166	-157	427	436
Rough Sleepers Initiative	126	-126	3	3	-17	265	251
Asset Management - General	687	-168		519	-304		215
LGR Implementation Costs	0			0		215	215
Self Insurance Fund	200			200			200
Economic Development & Growth Initiatives	769	-151	25	643	-486		157
Phosphate Management Strategy	0			0		135	135
Steam Coast Trail	126	-8		118	-24	40	134
Local Plan Development and Inspection	126			126			126
LG Cyber Security Fund Grant	0			0		100	100
Blue Anchor Csum 60yr Covenant	0		94	94			94
COVID - Council Tax Hardship Fund	134	-50		84			84
Flood Project - EA	0			0	-60	144	84
Coal Orchard Warranty	0			0	-112	185	73

## Somerset West and Taunton Council

	Balance at 01/04/2021 £000	Transfers Out £000	Transfers In £000	Balance at 31/03/2022 £000	Transfers Out £000	Transfers In £000	Balance at 31/03/2023 £000
<b>Earmarked Reserves (Continued)</b>							
Flood Project - SRA	0			0	-165	200	35
Carry Forwards	2,112	-2,112	2,075	2,075	-2,075		0
Homelessness Prevention	284		400	684	-684		0
New Homes Bonus Reserve	192	-62	41	171	-171		0
Transformation / Internal Change Reserve	191	-50		141	-141		0
Budget Volatility and Risk	2,400	-2,400		0			0
COVID - S31 Council Tax TIG (income	34			34	-34		0
COVID - S31 Business Rates Holiday grant	11,695	-11,118	5,234	5,811	-5,811		0
Commercial Investment Financing Fund	0	-173	2,173	2,000	-2,000		0
Other Earmarked Reserves	653	-284	361	730	-306	397	821
<b>Total General Fund</b>	<b>33,406</b>	<b>-21,745</b>	<b>16,329</b>	<b>27,990</b>	<b>-18,756</b>	<b>6,506</b>	<b>15,740</b>

	Balance at 01/04/2021 £000	Transfers Out £000	Transfers In £000	Balance at 31/03/2022 £000	Transfers Out £000	Transfers In £000	Balance at 31/03/2023 £000
<b>Earmarked Reserves</b>							
<b>Housing Revenue Account (HRA)</b>							
Hinkley Funded Community Grant	0			0		130	130
Social Housing Development Fund	850	-909	59	0			0
Transformation Reserve	175	-175		0			0
Other HRA Earmarked Reserves	82	-71	43	54	-20	94	128
<b>Total HRA</b>	<b>1,107</b>	<b>-1,155</b>	<b>102</b>	<b>54</b>	<b>-20</b>	<b>224</b>	<b>258</b>

The purpose for which individual reserves with balances in excess of £1 million have been held in either 2021/22 or 2022/23 are as follows:

- Budget Volatility & Risk Reserve – established to provide prudent contingency funds following major fluctuations in income following the impact of the Covid-19 pandemic on unforeseen income streams and expenditure pressures.
- Business Rates Volatility Reserve – to smooth the effect of successful Business Rates appeals and other valuation changes, and to protect against future volatility and accounting timing differences in Business Rates income.
- Capital Funding Reserve – Revenue contributions set aside to provide a means of financing capital expenditure so that future borrowing may be reduced.
- Carry forwards – used as a mechanism to carry forward approved amounts of budgeted spend to the next financial year.
- Commercial Investment Financing Fund – Contains balances set aside to enable reduction in borrowing requirements associated with capital investment in commercial property.
- COVID grants reserves – to identify sums held at year-end that will be paid out or returned to Government.
- Investment Risk Reserve – to manage property investment for yield net income volatility.



**Note 10. Other Operating Expenditure**

The note below details what is included in the 'Other Operating Expenditure' line in the CIES.

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
2,508	Parish Council precepts	2,678
382	Payments to the Government Housing Capital Receipts Pool	0
69	Pension Administration Costs	90
-1,840	Gains (-) / Losses on the disposal of non-current assets	-998
<b>1,119</b>	<b>Total</b>	<b>1,770</b>

**Note 11. Financing and Investment Income and Expenditure**

The note below details the 'Financing and Investment Income and Expenditure' line in the CIES.

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
2,939	Interest payable and similar charges	3,257
2,978	Net interest on the net defined pensions liability / asset (-)	3,276
-787	Interest receivable and similar income	-1,298
-3,883	Income and expenditure in relation to investment properties and changes in their fair value	-3,476
-939	Expected Credit Losses increase / decrease (-)	1,766
0	Fair Value Adjustment	0
<b>308</b>	<b>Total</b>	<b>3,525</b>

**Note 12. Taxation and Non-Specific Grant Income**

The note below details the 'Taxation and Non-Specific Grant Income' line in the CIES.

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
-12,307	Council tax income	-12,949
-8,813	Non domestic rates income and expenditure	-5,245
-4,656	Non-ringfenced Government grants	-2,468
-10,659	Capital grants and contributions	-10,955
<b>-36,435</b>	<b>Total</b>	<b>-31,617</b>

More details of grants that the Council has received can be found in Note 32 (Grant Income).

**Note 13. Expenditure and Income Analysed by Nature**

The Council's expenditure and income is analysed as follows:

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
	<b>Expenditure</b>	
38,366	Employee Related Expenses	36,268
56,936	Other Services Expenses	57,986
20,229	Depreciation, Amortisation, Impairment and Revenue	16,894
	Expenditure funded from Capital under Statute	
-1,840	Loss / Gain (-) on the Disposal of Assets	-2,034
5,120	Interest Payments	8,198
2,508	Precepts and Levies	2,678
382	Payments to Housing Capital Receipts Pool	0
<b>121,701</b>	<b>Total Expenditure</b>	<b>119,990</b>
	<b>Income</b>	
-41,434	Fees, Charges and Other Service Income	-43,715
-21,120	Income from Council Tax, Non-Domestic Rates, District Rate	-18,194
	Income	
-52,753	Government Grants and Contributions	-47,722
-3,883	Income and Expenditure in relation to investment properties	-3,476
	and changes in their fair value	
-787	Interest and Investment Income	-1,298
<b>-119,977</b>	<b>Total Income</b>	<b>-114,405</b>
<b>1,724</b>	<b>Surplus (-) or Deficit on the Provision of Services</b>	<b>5,585</b>

**Segmental Income**

Fees, charges and other service income received on a segmental basis is analysed below:

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
-1,489	Development and Place	-1,935
-10,076	External Operations & Climate Change	-11,392
-579	Housing & Communities	-293
-2,087	Internal Operations	-2,016
-169	Senior Management Team	-19
-39	Financing & Investment Income	-298
-26,995	Housing Revenue Account	-27,762
<b>-41,434</b>	<b>Income analysed on a segmental Basis</b>	<b>-43,715</b>

**Note 14. Property, Plant and Equipment (PPE)**

The tables below detail the movements on the Council's assets shown on the Balance Sheet as property plant and equipment.

2022/23	Council Dwellings £000	Land and Buildings £000	Vehicles, Plant and Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
<b>Cost or Valuation</b>							
<b>At 1 April 2022</b>	<b>353,096</b>	<b>108,070</b>	<b>10,934</b>	<b>7,953</b>	<b>197</b>	<b>13,097</b>	<b>493,347</b>
Additions	18,217	465	352	772	0	6,152	<b>25,958</b>
Revaluation increases / decreases (-) recognised in the Revaluation reserve	-35,552	-4,284	0	0	-58	0	<b>-39,894</b>
Revaluation increases / decreases (-) recognised in the Surplus/Deficit on the Provision of Services	0	-1,721	0	0	-5	0	<b>-1,726</b>
Derecognition - Disposals	-379	-457	-307	0	-4	0	<b>-1,147</b>
Assets reclassified within PPE		-3,421	0	0	-5	-1,511	<b>-4,937</b>
Assets reclassified (to)/from Inventory		0	0	0	0	0	<b>0</b>
Assets reclassified to(-) /from Held for Sale	1,861	0	0	-93	0	0	<b>1,768</b>
<b>At 31 March 2023</b>	<b>337,243</b>	<b>98,652</b>	<b>10,979</b>	<b>8,632</b>	<b>125</b>	<b>17,738</b>	<b>473,369</b>
<b>Accumulated Depreciation &amp; Impairment</b>							
<b>At 1 April 2022</b>	<b>0</b>	<b>-274</b>	<b>-5,998</b>	<b>-77</b>	<b>0</b>	<b>0</b>	<b>-6,349</b>
Depreciation charge	-8,936	-1,179	-1,006	0	0	0	<b>-11,121</b>
Depreciation written out to the Revaluation Reserve	8,936	1,120	0	0	0	0	<b>10,056</b>
Depreciation written out to Surplus/Deficit on the Provision of Services		34	0	0	0	0	<b>34</b>
Derecognition - Disposals		2	307	0	0	0	<b>309</b>
<b>At 31 March 2023</b>	<b>0</b>	<b>-297</b>	<b>-6,697</b>	<b>-77</b>	<b>0</b>	<b>0</b>	<b>-7,071</b>
<b>Net Book Value (Excluding Infrastructure Assets At 31 March 2023)</b>	<b>337,243</b>	<b>98,355</b>	<b>4,282</b>	<b>8,555</b>	<b>125</b>	<b>17,738</b>	<b>466,298</b>
<b>Add Infrastructure Assets</b>	Infrastructure Assets At Net Book Value Brought Forward At 1st April 2022					9,502	
	Additions in Year					76	
	Assets reclassified within Property, Plant & Equipment					4,937	
	Depreciation in Year					-760	13,755
							<b>480,053</b>

Included in the derecognition – disposals lines within the Vehicles, Plant and Equipment column, is a figure of £198k relating to the writing out of assets disposed of within the HRA during 2021/22, which was omitted from the published statement for 2021/22. Therefore the presentational adjustment has been made within the 2022/23 table above to ensure the correct carrying values are carried forward.

## Somerset West and Taunton Council

2021/22	Council Dwellings £000	Land and Buildings (Restated) £000	Vehicles, Plant and Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
<b>Cost or Valuation</b>							
<b>At 1 April 2021</b>	<b>312,891</b>	<b>103,706</b>	<b>13,940</b>	<b>7,953</b>	<b>177</b>	<b>9,159</b>	<b>447,826</b>
Additions	12,313	74	609	0	0	4,807	17,803
Revaluation increases / decreases (-) recognised in the Revaluation reserve	31,545	4,860	0	0	68	0	36,473
Revaluation increases / decreases (-) recognised in the Surplus/Deficit on the Provision of Services	0	-1,997	0	0	-48	0	-2,045
Derecognition - Disposals	-852	0	-3,615	0	0	0	-4,467
Derecognition - Other	0	-48	0	0	0	0	-48
Assets reclassified within PPE	46	0	0	0	0	0	46
Assets reclassified to(-) /from Investment Properties	0	10	0	0	0	0	10
Assets reclassified to(-) /from Inventory	0	1,465	0	0	0	-869	596
Assets reclassified to(-) /from Held for Sale	-2,848	0	0	0	0	0	-2,848
<b>At 31 March 2022</b>	<b>353,095</b>	<b>108,070</b>	<b>10,934</b>	<b>7,953</b>	<b>197</b>	<b>13,097</b>	<b>493,346</b>
<b>Accumulated Depreciation &amp; Impairment</b>							
<b>At 1 April 2021</b>	<b>0</b>	<b>-402</b>	<b>-8,614</b>	<b>-77</b>	<b>0</b>	<b>0</b>	<b>-9,093</b>
Depreciation charge	-8,005	-1,150	-999	0	0	0	-10,154
Depreciation written out to the Revaluation Reserve	8,005	1,263	0	0	0	0	9,268
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	13	0	0	0	0	13
Derecognition - Disposals	0	0	3,615	0	0	0	3,615
Derecognition - Other	0	2	0	0	0	0	2
<b>At 31 March 2022</b>	<b>0</b>	<b>-274</b>	<b>-5,998</b>	<b>-77</b>	<b>0</b>	<b>0</b>	<b>-6,349</b>
<b>Net Book Value At 31 March 2022</b>	<b>353,095</b>	<b>107,796</b>	<b>4,936</b>	<b>7,876</b>	<b>197</b>	<b>13,097</b>	<b>486,997</b>
<b>Add Infrastructure Assets</b>							
Infrastructure Assets At Net Book Value Brought Forward At 1st April 2022						9,488	
Additions in Year						764	
Depreciation in Year						-750	9,502
							<b>496,499</b>

Details of the restated values for Other Land and Buildings in 2021/22 are set out for the Balance Sheet, Comprehensive Income and Expenditure Statement and Movement in Reserves Statement in a note of explanation for the prior year adjustment (see note 39).

## Infrastructure Assets

In December 2022 CIPFA published an update to its 2021/22 Code of Practice. The Update to the Code and Specifications for Future Codes for Infrastructure Assets provides amended specifications on the disclosure on gross cost and accumulated depreciation for infrastructure assets. The Update allows local authorities temporary relief from disclosing gross cost and accumulated depreciation until 31 March 2025. Therefore, in accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. As a result the tables, above, that analyse property, plant and equipment by defined categories include infrastructure assets only at net book value.

The Council's rationale for not reporting the gross cost and accumulated depreciation follows the practical considerations adopted by the Code whereby application of the derecognition provisions for those infrastructure assets cannot, in all instances, be fully complied with. This is particularly the case with older infrastructure assets that were either built, developed or adopted prior to when accounting requirements for their recognition were first introduced. Given the uncertainties attached to the original costs of such historical structures, a consistent methodology cannot be applied to faithfully disclosing the values of attached to any derecognition of such assets. The nature of infrastructure assets is such that there would not usually be an open market in which to conduct any exchange or to derive an accurate value. In this respect, the ownership of existing infrastructure assets would remain with SWTC or any subsequent public authority responsible for holding and maintaining them.

## Depreciation

The basis of depreciation is set out in the Accounting Policies.

## Capital commitments

At 31 March 2023, the Council had entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2023/24 and future years to a cost of £44.235m. The major commitments are:

- |  |          |
|--|----------|
| • Blue Anchor Coastal Protection                               | £ 1.846m |
| • Housing - Fire Door Replacement Programme                    | £ 2.400m |
| • Housing - Bathroom Replacement Programme                     | £ 6.000m |
| • Housing - Kitchen Replacement Programme                      | £ 6.000m |
| • Housing - North Taunton Regeneration Programme               | £10.907m |
| • Housing - Roofing Replacement Programme                      | £ 5.954m |
| • Housing - Seaward Way Development                            | £ 9.044m |
| • Housing - Flooring / Lighting Installation To Communal Areas | £ 2.084m |

## Revaluations

The Council carries out a rolling programme of asset valuations to ensure that all property, plant and equipment required to be measured at fair value is revalued at least every five years.

Valuations at 31 March 2023 have been carried out by Wilks Head & Eve, Chartered Surveyors. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). Whilst, at present, the Council does not revalue its vehicles, plant and equipment, depreciated historic cost is used as a proxy for fair value.

The significant assumptions applied by the Valuers in estimating the current values of property, plant and equipment are as follows:

- Planning Proposals
  - We have not made formal written enquiries of the Local Authority Planning Departments to ascertain if there are any adverse proposals likely to affect specific properties. We are instructed, however, that for the purposes of this Valuation Certificate, we should assume that there are no planning proposals that are likely to have an effect on the value of the properties unless these were specifically notified to us.
- Construction and State of Repair
  - Structural / Condition surveys have not been undertaken of the properties nor have the service installations been tested.
  - We have not carried out a structural survey nor have we inspected those parts of the properties that are covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition. We cannot express an opinion about or advise upon the condition of uninspected parts and this report should not be taken as making any implied representation or statement about such parts.
  - No allowances have been made for rights, obligations or liabilities arising from the Defective Premises Act 1972.
  - Unless we are aware that a specific property has a limited economic life, we have assumed that the assets are at a suitable level of condition for service provision, and that all internal and external repairs and maintenance have been carried out. We have assumed that these repairs do not constitute improvement to the properties and do not have a material effect on asset value.
- Hazardous or Deleterious Materials
  - We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of these properties or has since been incorporated and we are therefore unable to report that the properties are free from risk in this respect. For the purpose of this report we have assumed that such investigation would not disclose the presence of any such material in any adverse condition.
- Contaminated Land
  - Other than as specifically detailed for any property in respect of the latest issues concerning phosphates, we are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the property and which may draw attention to any contamination or possibility of any such contamination. In undertaking our work, we have been instructed to assume that no contaminative or potentially contaminative uses have ever been

carried out on the property. We have not carried out any investigation into past or present uses either of the properties or of any neighbouring land to establish whether there is any potential for contamination from these sites to the subject property and have therefore assumed that none exists.

- Should it however be established subsequently that contamination exists at any of the properties or any neighbouring land or that the properties have been or are being put to a contaminative use this might reduce the values now reported.
- Plant and Machinery
  - Any plant and machinery that has been considered to form part of the property or service installations is included in the valuation. Where there is doubt as to the correct classification, assets installed primarily to provide services to the properties have been valued with the land and buildings and assets primarily serving the commercial or industrial process have been excluded. Any departure from this is stated on the relevant Valuation Statement.
- Lotting
  - Where applicable, properties have been lotted. No allowance or discount has been made for any flooding of the market which might, in practice, happen if several properties were offered for sale simultaneously. The figure reported is the aggregate of the values on separate properties.
- Taxation
  - No allowance has been made for liability for taxation which may arise on disposal, whether actual or notional. Where possible VAT and Capital Gains Tax are specifically excluded, and our valuation does not reflect costs of realisation unless specifically requested by the client. No additions have been made for Stamp Duty Land Tax (SDLT).
- Acquisition and Disposal Costs
  - No notional directly attributable acquisition costs or selling costs have been applied to or deducted from the Current Value and Fair Value figures provided within this report.
  - For indicative purposes only, the Valuer would expect purchaser's cost to be in the region of 0.5% and 5.0% (plus or minus) dependant on the overall value of the asset and property type on an acquisition or disposal respectively.
  - The Valuer has made no allowance for any vendor's costs or taxation (actual or notional) nor has any allowances been made for any capital or annual grants or incentives to which a purchaser may be entitled.
  - The Valuer has not been asked by the client to specifically reflect these costs separately.
  - Guidance on this matter is provided within UKVS 1 Paragraph 1.7 Costs to be excluded of the Red Book:
    - The valuer must not include directly attributable acquisition or disposal costs in the valuation. When asked by the client to reflect costs, these must be stated separately;
    - In determining the figure to enter into the balance sheet (the 'carrying amount'), FRS 15 requires the addition of notional, directly attributable acquisition costs, where material, to the Existing Use Value. Likewise, where

property is surplus to the entity's requirements and valued on the basis of market value, there should be a deduction for expected, directly attributable selling costs, where material. If requested to advise on these costs, the Valuer should report them separately and not amalgamate them with either the Existing Use Value or market value. The valuation should reflect the Valuer's opinion of the consideration that would appear in the hypothetical sale and purchase contract;

- FRS 15 states that directly attributable costs can include stamp duty, import duties and non-refundable purchase taxes, as well as professional fees, the Valuer is alerted to a potential problem with a property that would, or would potentially, be subject to VAT in any transaction but the entity may not be able to reclaim the VAT. The decision whether or not to treat this as a directly attributable acquisition cost should be determined by the entity, together with its auditors. Even if this is the case the Valuer should state clearly in the report what assumptions have been made and the likely impact of VAT in any transaction; and
  - In the case of surplus properties, directly attributable selling costs that are material may need to be itemised separately. If this is the case, they will include not only the transaction costs but also any marketing costs that can be reasonable anticipated.
- Energy Performance Certificates
    - In England and Wales, the Energy Performance of Buildings Directive requiring Energy Performance Certificates (EPC) is relevant.
    - This directive requires all properties to have an Energy Performance Certificate (EPC) covering the residential and commercial sectors. The Certificate is valid for ten years and includes an Energy Efficient Rating of between A and G.
    - Since 26<sup>th</sup> March 2015 the minimum energy efficiency standard (MEES) has been introduced.
    - This minimum standard applies to both domestic and non-domestic property and from 1<sup>st</sup> April 2018 Landlords have been unable to let an F or G rated commercial property on a new or renewed tenancy / lease.
    - From 1<sup>st</sup> April 2020, the regulations apply to all property leases, initially for domestic properties, and then in 2023 non-domestic properties too.
    - Exceptions include leases of less than six months and leases of longer than 99 years as well as listed buildings.
    - For these purposes we have assumed that all properties valued within the portfolio meet the E or higher required rating for letting purposes.



The table below shows the values against the latest valuation dates for each group of assets:

	<b>Council Dwellings £000</b>	<b>Other Land and Buildings £000</b>	<b>Vehicles, Plant and Equipment £000</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Asset Under Construction £000</b>	<b>Total £000</b>
Valued at Fair Value	0	0	0	0	0	125	0	<b>125</b>
Valued at Historic Cost	0	0	4,282	13,755	8,555	0	17,738	<b>44,330</b>
Valued at:								
31 March 2017	304	0	0	0	0	0	0	<b>304</b>
31 March 2019	32	0	0	0	0	0	0	<b>32</b>
31 March 2020	56	33	0	0	0	0	0	<b>89</b>
31 March 2021	0	3,468	0	0	0	0	0	<b>3,468</b>
31 March 2022	0	10,998	0	0	0	0	0	<b>10,998</b>
31 March 2023	336,851	83,856	0	0	0	0	0	<b>420,707</b>
<b>Total Net Book Value</b>	<b>337,243</b>	<b>98,355</b>	<b>4,282</b>	<b>13,755</b>	<b>8,555</b>	<b>125</b>	<b>17,738</b>	<b>480,053</b>

**Note 15. Investment Property**

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the CIES.

<b>2021/22</b> <b>£000</b>	<b>2022/23</b> <b>£000</b>
-6,087 Rental income from investment property	-7,661
333 Costs Related to investment property	499
<b>-5,754 Total</b>	<b>-7,162</b>

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

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

<b>2021/22</b> <b>£000</b>	<b>2022/23</b> <b>£000</b>
50,044 Balance at start of the year	103,064
54,901 Additions	0
0 Disposals	0
-1,871 Net gains / losses(-) from fair value adjustments	-3,686
<b>Transfers:</b>	
-10 To(-) / from Property, Plant & Equipment	0
<b>103,064 Balance at end of the year</b>	<b>99,378</b>

**Fair Value Measurement of Investment Property**

Details of the Council's investment properties and information about the fair value hierarchy are as follows:

<b>2021/22</b> <b>£000</b>	<b>Significant Observable Inputs (Level 2)</b>	<b>2022/23</b> <b>£000</b>
102,321	Commercial Buildings	98,513
743	Commercial Land	865
<b>103,064</b>	<b>Investment Property</b>	<b>99,378</b>

**Significant Observable Inputs – Level 2**

The commercial land and buildings located in the Council's area are measured using the income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream. The approach has been developed using the Council's own data requiring it to factor in assumptions such as the duration and timing of cash inflows and outflows, rent growth, occupancy levels, bad debt levels, maintenance costs, etc.

The Council's commercial land and buildings are, therefore, categorised as Level 2 in the fair value hierarchy as the measurement technique uses significant observable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

## Highest and Best Use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

## Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

## Note 16. Financial Instruments

Financial instruments are contracts that give 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.

The term 'financial instrument' covers both financial assets and financial liabilities. These range from straightforward trade receivables and trade payables to more complex transactions such as financial guarantees, derivatives and embedded derivatives. The Council's borrowing, and investment transactions are also classified as 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 Council's non-derivative financial liabilities held during the year are measured at amortised cost and comprised:

- Long-term loans from the Public Works Loan Board and commercial lenders,
- Short-term loans from other local authorities, and
- 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 flows) comprising:

- Cash in hand,
- Bank current and deposit accounts with NatWest Bank,
- Loans made to Somerset CCC, Somerset Waste Partnership and others for service purposes, and
- Trade receivables for goods and services delivered.

Fair value through profit and loss (FVTPL) for all other financial assets, comprising:

- Money market funds and other collective investment schemes,
- Fixed-term deposits with central government (Debt Management Office), and
- Property funds managed by fund managers.

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.

### Financial Instruments – Balances

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

31 March 2022			31 March 2023	
Long Term £000	Short Term £000	Financial Liabilities	Long Term £000	Short Term £000
		<b>Loans at amortised cost:</b>		
-105,500	-75,000	Principal sum borrowed	-88,500	-86,000
-183	-42	Accrued interest	-182	-314
<b>-105,683</b>	<b>-75,042</b>	<b>Total Borrowing</b>	<b>-88,682</b>	<b>-86,314</b>
		<b>Liabilities at amortised cost:</b>		
0	-4,570	Trade payables	0	-2,329
<b>0</b>	<b>-4,570</b>	<b>Included in Creditors</b>	<b>0</b>	<b>-2,329</b>
-13,386	-35,375	<i>Liabilities not defined as financial instruments</i>	-12,007	-12,279
<b>-13,386</b>	<b>-39,945</b>	<b>Total Creditors</b>	<b>-12,007</b>	<b>-14,608</b>
<b>-105,683</b>	<b>-79,612</b>	<b>Total Financial Liabilities</b>	<b>-88,682</b>	<b>-88,643</b>

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

31 March 2022			31 March 2023	
Long Term	Short Term	Financial Assets	Long Term	Short Term
£000	£000		£000	£000
	(Restated)			
<b>At fair value through profit &amp; loss</b>				
3	20,348	Principal	0	15,685
<b>3</b>	<b>20,348</b>	<b>Total Investments</b>	<b>0</b>	<b>15,685</b>
<b>At amortised cost</b>				
	2,661	Principal	0	1,691
<b>At fair value through profit &amp; loss</b>				
	17,905	Fair value		0
	<b>20,566</b>	<b>Total Cash and Cash Equivalents</b>		<b>1,691</b>
<b>At amortised cost</b>				
	1,192	Trade receivables		1,231
4,502	7	Loans made for service purposes	1,282	3,763
<b>4,502</b>	<b>1,199</b>	<b>Included in Debtors</b>	<b>1,282</b>	<b>4,994</b>
0	19,773	<i>Assets not defined as financial instruments</i>		9,727
<b>4,502</b>	<b>20,972</b>	<b>Total Debtors</b>	<b>1,282</b>	<b>14,721</b>
<b>4,505</b>	<b>42,113</b>	<b>Total Financial Assets</b>	<b>1,282</b>	<b>22,370</b>

Details of the restated values for Financial Assets in 2021/22 are set out for the Balance Sheet and the Cash Flow Statement in a note of explanation for the prior year adjustment (see note 39).

## Financial Instruments - Gains and Losses

The gains and losses recognised in the CIES in relation to financial instruments consist of the following:

2021/22				2022/23				
Financial Liabilities Amortised Cost £000	Financial Assets Amortised Cost £000	Fair Value through Profit & Loss £000	Total £000		Financial Liabilities Amortised Cost £000	Financial Assets Amortised Cost £000	Fair Value through Profit & Loss £000	Total £000
-2,939	0	0	-2,939	Interest expense	-3,257	0	0	-3,257
<b>-2,939</b>	<b>0</b>	<b>0</b>	<b>-2,939</b>	<b>Interest payable and similar charges</b>	<b>-3,257</b>	<b>0</b>	<b>0</b>	<b>-3,257</b>
0	205	581	786	Interest income	0	246	1,052	1,298
0	0	758	758	Gains from changes in fair value	0	0	-1,669	-1,669
<b>0</b>	<b>205</b>	<b>1,339</b>	<b>1,544</b>	<b>Interest and investment income</b>	<b>0</b>	<b>246</b>	<b>-617</b>	<b>-371</b>
<b>-2,939</b>	<b>205</b>	<b>1,339</b>	<b>-1,395</b>	<b>Net impact on surplus/deficit on provision of services</b>	<b>-3,257</b>	<b>246</b>	<b>-617</b>	<b>-3,628</b>
0	0	0	0	Gain / (Losses) on revaluation	0	0	0	0
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>Impact on other comprehensive income</b>				
<b>-2,939</b>	<b>205</b>	<b>1,339</b>	<b>-1,395</b>	<b>Net Gain/(Loss) for the year</b>	<b>-3,257</b>	<b>246</b>	<b>-617</b>	<b>-3,628</b>

## 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, shares in money market funds and other pooled funds, the fair value is taken from the market price.

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 2023, 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,
- No early repayment or impairment is recognised for any financial instrument, and
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount, given the continued low interest rate environment.

Fair values are shown in the tables 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





31 March 2022			31 March 2023			
Fair Value Level	Carrying Amount £000	Fair Value £000	Financial Liabilities	Fair Value Level	Carrying Amount £000	Fair Value £000
			<b>Financial Liabilities held at Amortised Cost</b>			
2	-92,636	-90,851	Long Term Loans from PWLB	2	-87,639	-68,619
2	-3,038	-4,430	Barclays Loan	2	-3,038	-3,881
2	-85,051	-84,707	Local Authority Loans	2	-84,320	-84,133
	<u>-180,725</u>	<u>-179,988</u>	<b>Total</b>		<u>-174,997</u>	<u>-156,633</u>
	-4,570		Liabilities for which fair value is not disclosed	*	-2,329	
	<u><b>-185,295</b></u>		<b>Total Financial Liabilities</b>		<u><b>-177,326</b></u>	
			<b>Recorded on Balance Sheet as:</b>			
	-4,570		Short Term Creditors		-2,826	
	-75,042		Short Term Borrowing		-88,500	
	<u>-105,683</u>		Long Term Borrowing		<u>-86,000</u>	
	<u><b>-185,295</b></u>		<b>Total Financial Liabilities</b>		<u><b>-177,326</b></u>	

31 March 2022			31 March 2023			
Fair Value Level	Carrying Amount £000	Fair Value £000	Financial Assets	Fair Value Level	Carrying Amount £000	Fair Value £000
	(Restated)					
			<b>Financial Assets held at Fair Value</b>			
1	17,449	17,449	Bond Funds	1	15,686	15,797
1	17,905	17,905	Money Market Funds	1	0	0
			<b>Financial Assets held at Amortised Cost</b>			
*	2,661	2,661	Bank Accounts	*	1,691	1,691
*	2,902	2,899	Term Deposits	*	0	0
2	5,324	5,430	Loans made for Service Purposes	2	5,045	5,068
	<b>46,241</b>	<b>46,344</b>	<b>Total</b>		<b>22,422</b>	<b>22,556</b>
*	1,192		Assets for which fair value is not disclosed	*	1,231	
	<b>47,433</b>		<b>Total Financial Assets</b>		<b>23,653</b>	
			<b>Recorded on Balance Sheet as:</b>			
	3		Long-Term Investments		0	
	4,502		Long-Term Debtors		1,282	
	20,348		Short-Term Investments		15,685	
	2,014		Short-Term Debtors		4,995	
	20,566		Cash & Cash Equivalents		1,691	
	<b>47,433</b>		<b>Total Financial Assets</b>		<b>23,653</b>	

\* 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 lower than their balance sheet carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

Details of the restated values for Financial Assets in 2021/22 are set out for the Balance Sheet and the Cash Flow Statement in a note of explanation for the prior year adjustment (see note 39). The reduction in the value of cash and cash equivalents in 2022/23 is due to fact that balances were utilised to reduce new external borrowing needs in readiness for Somerset West and Taunton Council to become part of the new Unitary Council, Somerset Council on 1 April 2023.

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

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

## Note 17. Nature and Extent of Risks Arising from Financial Instruments

The Council has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with the reporting requirements of The Prudential Code for Capital Finance in Local Authorities (both of which saw substantial revisions in December 2021).

As part of the adoption of the Treasury Management Code, the Council approves a Capital, Investment and Treasury Strategy before the start of each financial year. This comprehensive strategy document includes the setting of 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 Capital, Investment and Treasury Strategy includes an Annual Investment Strategy, which complies with the requirements of guidance originating from HM Treasury. This guidance emphasises that priority is to be given to security and liquidity, rather than yield. Hence the Council's financial strategy for treasury management is to improve the net income available through treasury management to fund services, whilst maintaining a prudent balance between security, liquidity and yield.

The Council's treasury management activities potentially expose it to a variety of financial risks including:

- **Credit Risk** - the possibility that other parties might fail to pay amounts due to the Council.
- **Liquidity Risk** - the possibility that the Council might not have funds available to meet its commitments to make payments.
- **Market Risk** - the possibility that financial loss may arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council also recognises the importance of careful management of its investment properties and the aspects of risk these may bring. Over and above those identified above, property market and economic risks include potential volatility in income, financing, and management costs. Whilst income volatility is expected to be low, no investment is risk-free. The risks on commercial property investments are mitigated through a combination of prudent budgeting, governance, reporting and scrutiny, all of which are supported by earmarked investment risk reserves.

### Credit Risk: Treasury Investments

The Council manages credit risk by ensuring that investments are 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-, and other local authorities without credit ratings. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial organisations for investment.

A limit of up to £7.0m is placed on the amount of money that can be invested with a single counterparty. The Council also sets a total group investment limit for institutions that are part of the same banking group. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £7.0m 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 it is rare for such entities to be unable to meet their commitments. A risk of non-recovery applies to all of the Council's deposits, but there was no evidence at the 31 March 2023 that this was likely to crystallise.

The Council does not hold collateral against any investments.

### Credit Risk Exposure

The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity:

2021/22			Credit Rating	2022/23	
Long Term £000	Short Term £000	Long Term £000		Short Term £000	
<b>(Restated)</b>					
0	35,354	AAA	0	15,685	
0	2,899	AA	0	0	
0	1,500	A	0	0	
<b>0</b>	<b>39,753</b>	<b>Total</b>	<b>0</b>	<b>15,685</b>	

Details of the restated values for Financial Assets in 2021/22 are set out for the Balance Sheet and the Cash Flow Statement in a note of explanation for the prior year adjustment (see note 39, pages 94 and 95).

### Trade Receivables

During 2022/23 the Council continued to carefully review historic debtor balances and has written off old irrecoverable debts. The Council has a policy of exploring cost effective ways to ensure debts are fully recovered and thus minimise exposure to credit risk.

The following analysis summarises the Council's trade and lease receivables, by due date. Only those receivables meeting the definition of a financial asset are included.

31 March 2022 Trade Debtors £000	31 March 2023 Trade Debtors £000
1,628 Past due less than 3 months	1,155
129 Past due over 3 months up to 12 months	117
65 Past due over 12 months up to 24 months	295
196 Past due over 24 months	134
<b>2,018</b>	<b>1,701</b>

### Credit Risk: Loans

To meet the Council's service objectives, it has lent money to local organisations at market rates. The amount recognised on the balance sheet is £4.011m.

The Council manages the credit risk inherent in its loans for service purposes in line with its published Investment Strategy.

Loss allowances on loans for service purposes total £0.038m (£0.043m 2021/22) and have been calculated by reference to 12-month expected credit losses as there is no experience of default on such loans.

## Liquidity Risk

The Council has had varying access to borrowing at favourable rates from the Public Works Loans Board during 2022/23. It has also been able to borrow extensively from other local authorities for short duration, and at higher rates from banks and building societies. 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 might need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. The risk is managed by maintaining a spread of fixed and variable rate loans. The fixed rate loans are implicitly linked to long-term housing assets, and shorter-term variable loans to commercial properties.

The maturity analysis of the principal sums borrowed is as follows:

2021/22			2022/23	
Long Term £000	Short Term £000		Long Term £000	Short Term £000
<b>Loans by Type</b>				
87,500	5,000	Public Works Loan Board	80,500	7,000
3,000	0	Other Financial Institutions	3,000	0
15,000	70,000	Other Local Authorities	5,000	79,000
<b>105,500</b>	<b>75,000</b>		<b>88,500</b>	<b>86,000</b>
<b>Loans by Maturity</b>				
	75,000	Less than 1 year		86,000
17,000		Over 1 but not over 2 years	6,000	
34,000		Over 2 but not over 5 years	35,000	
17,500		Over 5 but not over 10 years	10,500	
0		Over 10 but not over 15 years	0	
37,000		More than 20 years	37,000	
<b>105,500</b>	<b>75,000</b>		<b>88,500</b>	<b>86,000</b>

## Market Risks:

### 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 Council. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense will rise
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- Investments at variable rates – the interest income credited will rise
- Investments at fixed rates – the fair value of the assets will fall

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the CIES. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

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

If all interest rates had been 1% higher with all other variables held constant, the financial effect would be:

<b>2022/23</b>	<b>£000</b>
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	16
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>16</b>
Decrease in fair value of fixed rate borrowings	-5,871
Decrease in fair value of fixed rate investment assets	0

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

### Price Risk

The Council does not generally invest in equity shares and so is not subject to equity price risk.

### Foreign Exchange Risk

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

### Note 18. Assets Held for Sale

The table below details the balances of Assets Held for Sale at 31 March. For an asset to be classified as held for sale it must meet the following criteria:

- Be available for sale in its present condition,
- The sale must be highly probable and have Member approval,
- The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value, and
- The sale must be expected to be completed within one year of classification (in some circumstances if it is expected to take longer than a year to complete but still meets the other criteria it may be included as a non-current asset held for sale).

Also included as assets held for sale are Right-To-Buy (RTB) applications where it is highly probable the Council Dwelling will be sold through the RTB process.

Assets Held for Sale are revalued every year at 31 March and are recognised at the lower of carrying value and fair value less costs to sell. The maximum amount at which an asset is carried is the amount at which it was initially recognised as Held for Sale. All valuations were carried out in accordance with standards set out by the Royal Institution of Chartered Surveyors (RICS).

<b>2021/22</b>	<b>2021/22</b>
<b>£000</b>	<b>£000</b>
<b>3,560 Balance outstanding at start of the year</b>	<b>4,924</b>
Assets newly classified as held for sale:	
2,848 Property, Plant and Equipment	0
Assets declassified as held for sale:	
0 Property, Plant and Equipment	-1,768
Surplus assets not held for sale:	
-1,484 Assets sold	-1,782
<b>4,924 Balance outstanding at year end</b>	<b>1,374</b>

**Note 19. Inventories**

The Council holds Inventories of £0.834m.

<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£000</b>		<b>£000</b>
4,138	Inventory assets relating to Regeneration Schemes	686
202	Other Inventories comprising Materials and stock	148
<b>4,340</b>	<b>Total</b>	<b>834</b>

Statement of inventory assets relating to the Coal Orchard Regeneration Scheme

<b>Coal Orchard Disclosure Statement</b>	<b>Number of Properties Sold</b>	<b>£000</b>
Opening Balance	29	4,138
Disposals	-25	-3,452
<b>Closing Balance</b>	<b>4</b>	<b>686</b>
Build Costs		3,451
Disposal Statement		-4,488
<b>Net Gain On Disposal</b>		<b>-1,037</b>

The council has developed properties in the past, the Coal Orchard Regeneration Scheme, where the purpose was entirely for resale and therefore the stock was classified as inventory, not PPE Assets held for sale. In 2022/23, the majority of this stock was sold as set out on the above tables with a surplus on the disposal generated of £1.037m.

**Note 20. Debtors**

Debtors are amounts owed to the Council but remain unpaid. The table below details the Council's debtors at 31 March 2023. Included in the figures is a credit loss allowance as relevant for the debt types.

**Current Debtors:**

<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£000</b>		<b>£000</b>
1,192	Trade receivables	1,231
807	Prepayments	623
18,973	Other receivable amounts	12,867
<b>20,972</b>	<b>Total</b>	<b>14,721</b>

The substantial reduction in other receivable amounts as at 31<sup>st</sup> March 2023 was primarily due to a decrease in the central government overall share of the collection fund position of £9m at the year end.

**Long-term Debtors:**

Long-term debtors are debtors that are due in over 12 months. The following table identifies these by type:



<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£000</b>		<b>£000</b>
357	Sundry Mortgages	402
14	Car/Bike Loans to Employees	4
4,174	Service Loans	914
-43	Expected Credit Losses	-38
<b>4,502</b>	<b>Total</b>	<b>1,282</b>

### Debtors for Local Taxation:

Those debtors for local taxation (Council Tax and non-domestic rates) that have passed their due date, but have not been impaired, can be analysed by age as follows:

<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£000</b>		<b>£000</b>
945	Less than one year	1,311
405	One to two years	475
390	Two to three years	279
898	More than three years	1,061
<b>2,638</b>	<b>Total</b>	<b>3,126</b>

### Note 21. Cash and Cash Equivalents

The table below shows how the balance of cash and cash equivalents held by the Council at 31 March is made up. Cash and cash equivalents are highly liquid investments that are readily convertible into known amounts of cash. The details of what is included as cash and cash equivalents is set out in item (iii) of the Accounting Policies.

<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£000</b>		<b>£000</b>
<b>(Restated)</b>		
11	Cash held by the Council	6
1,150	Bank current accounts	1,685
1,500	Call Accounts	0
0	Debt Management Office	0
17,905	Money Market Fund	0
<b>20,566</b>	<b>Total Cash and Cash Equivalents</b>	<b>1,691</b>

Details of the restated values for Financial Assets in 2021/22 are set out for the Balance Sheet and the Cash Flow Statement in a note of explanation for the prior year adjustment (see note 39). The balance sheet also shows the restated position as at 1 April 2021, reflecting the change in accounting policy applied. The reduction in the value of cash and cash equivalents in 2022/23 is due to fact that balances were utilised to reduce new external borrowing needs in readiness for Somerset West and Taunton Council to become part of the new Unitary Council, Somerset Council on 1 April 2023.

### Note 22. Creditors

The table below details the Council's creditors as at 31 March. Creditors are amounts owed by the Council at in respect of goods and services received before the end of the financial year.

**Creditors: Short-term Creditors (under one year)**

<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£000</b>		<b>£000</b>
-4,570	Trade payables	-2,329
-35,101	Other payables	-10,987
<b>-39,671</b>	<b>Total</b>	<b>-13,316</b>

**Note 23. Provisions**

	<b>Short-Term</b>		<b>Total</b>
	<b>NNDR</b>	<b>Other</b>	
	<b>Appeals</b>	<b>Provisions</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at start of year - 1 April 2022</b>	<b>276</b>	<b>0</b>	<b>276</b>
Additional provisions made in year	1,001	0	1,001
Amounts used in year	-276	0	-276
Unused amounts reversed in year	0	0	0
<b>Balance at year-end - 31 March 2023</b>	<b>1,001</b>	<b>0</b>	<b>1,001</b>
<b>Balance at start of year - 1 April 2021</b>	<b>883</b>	<b>20</b>	<b>903</b>
Additional provisions made in year	0	0	0
Amounts used in year	-284	0	-284
Unused amounts reversed in year	-323	-20	-343
<b>Balance at year-end - 31 March 2022</b>	<b>276</b>	<b>0</b>	<b>276</b>

**Note 24. Usable Reserves**

The table below details the Council's usable reserves which can be applied to fund expenditure or reduce local taxation. Further detail can be found with the Movement in Reserves Statement.

<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£000</b>		<b>£000</b>
7,592	General Fund Balance	11,468
27,990	General Fund Earmarked Reserves	15,740
3,413	Housing Revenue Account Balance	2,986
54	Housing Revenue Account Earmarked Reserves	258
18,398	Capital Receipts Reserve	21,255
8,201	Major Repairs Reserve	7,485
18,990	Capital Grants Unapplied Account	21,681
<b>84,639</b>	<b>Total Usable Reserves</b>	<b>80,873</b>

**Note 25. Unusable Reserves**

The table below details the Council's unusable reserves. These are reserves that cannot be applied to fund expenditure or reduce local taxation – they are not usable resources.

<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£000</b>		<b>£000</b>
<b>(Restated)</b>		
187,794	Revaluation Reserve	156,638
177,907	Capital Adjustment Account	179,441
-128,970	Pensions Reserve	-33,053
-7,295	Collection Fund Adjustment Account	-901
-436	Accumulated Absences Account	-457
354	Financial Instruments Revaluation Reserve	-1,314
<b>229,354</b>	<b>Total Unusable Reserves</b>	<b>300,354</b>

**Revaluation Reserve**

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

- Revalued downwards or impaired and the gains are lost,
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

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

The table below shows the transactions that have gone through the revaluation reserve:

31 March 2022		31 March 2023	
£000		£000	£000
(Restated)			
143,115	<b>Balance as at 1 April</b>		<b>187,794</b>
51,396	Upward revaluation of assets	2,760	
-5,801	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-32,598	
45,595	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		-29,838
-360	Difference between fair value depreciation and historical cost depreciation	-429	
-556	Accumulated gains on assets sold or scrapped	-889	
-916	Amount written off to the Capital Adjustment Account		-1,318
<b>187,794</b>	<b>Balance as at 31 March</b>		<b>156,638</b>

Details of the restated values for the Revaluation Reserve in 2021/22 are set out for the Balance Sheet, Comprehensive Income and Expenditure Statement and Movement in Reserves Statement in a note of explanation for the prior year adjustment (see note 39, pages 95 and 96).

### 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 enhancement as depreciation, impairment losses and amortisations are charged to the CIES. The account is credited with amounts set aside by the Council as finance for the cost of acquisition, construction and subsequent costs.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains and losses on Property, Plant and Equipment before 1 April 2007 - the date that the Revaluation Reserve was created to hold such gains.

Note 8 – Adjustments between Accounting Basis and Funding Basis under Regulations, provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

The Capital Adjustment Account is presented overleaf:

## Capital Adjustment Account

31 March 2022		31 March 2023	
£000		£000	£000
<b>176,029</b>	<b>Balance as at 1 April</b>		<b>177,907</b>
	<i>Reversal of items relating to capital expenditure debited or credited to the CIES</i>		
-12,433	Charges for Depreciation and impairment of non current assets	-11,877	
-311	Revaluation losses on Property, Plant and Equipment	-1,704	
-311	Amortisation of intangible assets	-483	
-7,129	Revenue expenditure funded from capital under statute	-2,826	
-504	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-6,071	
-20,688			-22,961
-916	Adjusting amounts written out of the Revaluation Reserve		1,318
<b>-21,604</b>	<b>Net written out amount of the cost of non current assets consumed in the year</b>		<b>-21,643</b>
	<i>Capital financing applied in the year:</i>		
3,991	Use of the Capital Receipts Reserve to finance new capital expenditure	3,654	
6,782	Use of Major Repairs Reserve to finance new capital expenditure	9,802	
926	Capital grants and contributions credited to CIES that have been applied to capital financing	615	
5,470	Application of grants to capital financing from the Capital Grants Unapplied Account	6,148	
0	Correction to capital financing entries from previous years	1,245	
5,095	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	5,333	
4,491	Capital expenditure charged against the General Fund and HRA balances	890	
26,755			27,687
-1,871	Movements in the market value of Investment Properties debited or credited to the CIES		-3,686
-1,402	Deferred Debtors repaid		-824
<b>177,907</b>	<b>Balance as at 31 March</b>		<b>179,441</b>

## 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 CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns in 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 the pension fund or eventually pays any pensions for which it is directly responsible.

The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that the funding will have been set aside by the time the benefits come to be paid.

Transactions in the pension reserve are as shown in the table below:

2021/22 £000		2022/23 £000
<b>-140,156</b>	<b>Balance as at 1 April</b>	<b>-128,970</b>
22,337	Remeasurement of the net defined benefit (liability)/assets	102,658
-16,763	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	-12,697
5,612	Employer's pension contributions and direct payments to pensioners payable in the year	5,956
<b>-128,970</b>	<b>Balance as at 31 March</b>	<b>-33,053</b>

The reduction in the liability is largely due to an increase in the discount rate the Actuary has applied, which has gone 2.6% to 4.8% because of the current economic climate and interest rates.

## Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Business Rates income in the CIES as it falls due from Council Tax payers and business ratepayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

The balance shown on the Collection Fund Adjustment Account represents the Council's share of the Collection Fund surplus or deficit. Both elements of the Collection Fund (i.e. Council Tax and Business Rates) include an adjustment for the ongoing effects that COVID-19 had on the Business Rates and Council Tax collection funds, which allowed the deficits created to be spread over a three-year period. The last year of the spreading adjustment will occur in 2023/24.

2021/22			2022/23		
Council Tax £000	Business Rates £000	Total £000	Council Tax £000	Business Rates £000	Total £000
-58	-15,843	-15,901	169	-7,464	-7,295
<b>Balance as at 1 April</b>					
Amount by which council tax and non-domestic rates income credited to the CIES is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements					
227	8,379	8,606	380	6,014	6,394
<b>169</b>	<b>-7,464</b>	<b>-7,295</b>	<b>549</b>	<b>-1,450</b>	<b>-901</b>
<b>Balance as at 31 March</b>					

### Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise in 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. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2021/22		2022/23	
£000	£000	£000	£000
	<b>-478</b>		<b>-436</b>
<b>Balance as at 1st April</b>			
478	Settlement or cancellation of accrual made at the end of the preceding year	436	
-436	Amounts accrued at the end of the current year	-457	
42	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.		-21
	<b>-436</b>		<b>-457</b>
<b>Balance as at 31st March</b>			

## Financial Instruments Revaluation Reserve

This is an Unusable Reserve that contains the gains made by the authority arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are either

- a) revalued downwards or impaired and the gains are lost, or
- b) disposed of and the gains are realised

2021/22 £000	2022/23 £000
<b>-403</b>	<b>354</b>
<b>Balance as at 1st April</b>	
1,050	0
Upward revaluation of Investments	
-293	-1,668
Downward revaluation of investment	
<b>354</b>	<b>-1,314</b>
<b>Balance as at 31st March</b>	
Accumulated gains or losses on assets sold and	
0	0
maturing assets written out to the CIES as part of	
other investment income	
<b>354</b>	<b>-1,314</b>
<b>Balance as at 31st March</b>	



**Note 26. Cash Flow Statement – Operating Activities**

The cash flows for operating activities include the following items:

<b>2021/22</b>	<b>2022/23</b>
<b>£000</b>	<b>£000</b>
812 Interest received	1,333
-2,912 Interest paid	-2,991
<b>-2,100 Net Cash Flow From Operating Activities</b>	<b>-1,658</b>

The surplus/deficit on the provision of services has been adjusted for the following non-cash movements:

<b>2021/22</b>	<b>2022/23</b>
<b>£000</b>	<b>£000</b>
10,904 Depreciation	11,892
1,887 Impairment and downward valuations	1,695
311 Amortisation	483
1,871 Movement in fair value of investment property	3,686
-397 Increase/ (decrease) in impairment for bad debts	69
7,079 Increase/ (decrease) in creditors	-26,084
15,869 (Increase)/ decrease in debtors	11,166
-28 (Increase)/ decrease in inventories	3,506
11,151 Movement in pension liability	6,741
4,003 Increase/ (decrease) in Grants Receipts In Advance	-361
2,336 Carrying amount of non-current assets sold or derecognised	2,620
-627 Increase/ (decrease) in provisions	725
<b>54,359 Adjustments For Non-Cash Movements</b>	<b>16,138</b>

The surplus or deficit on the provision of services has also been adjusted for the following items that are investing or financing activities (see also Notes 27 and 28 overleaf):

<b>2021/22</b>	<b>2022/23</b>
<b>£000</b>	<b>£000</b>
-4,221 Proceeds from the sale of property plant and equipment, investment property and intangible assets	-8,142
<b>-4,221 Adjustments For Investing and Financing Activities</b>	<b>-8,142</b>

**Note 27. Cash Flow Statement – Investing Activities**

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
<b>(Restated)</b>		
-74,616	Purchase of Property, Plant and Equipment, Investment Property and intangible assets	-26,327
-63,128	Purchase of short-term & long-term investments	-8,898
4,221	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	8,142
46,034	Proceeds from short-term and long-term investments	11,797
<b>-87,489</b>	<b>Net cash flows from investing activities</b>	<b>-15,286</b>

Details of the restated values for Financial Assets in 2021/22 are set out for the Balance Sheet and the Cash Flow Statement in a note of explanation for the prior year adjustment (see note 39).

**Note 28. Cash Flow Statement – Financing Activities**

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
95,000	Cash receipts of short-term and long-term borrowing	79,000
-77,000	Repayment of short-term and long-term borrowing	-85,000
<b>18,000</b>	<b>Net cash flows from financing activities</b>	<b>-6,000</b>

**Reconciliation of Liabilities Arising from Financing Activities**

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
<b>As at 1 April</b>		
105,500	Long Term Borrowings	105,500
57,000	Short Term Borrowings	75,000
<b>162,500</b>		<b>180,500</b>
18,000	Financing Cash Flows	-6,000
<b>180,500</b>	<b>As at 31 March</b>	<b>174,500</b>
105,500	Long Term Borrowings	88,500
75,000	Short Term Borrowings	86,000
<b>180,500</b>	<b>Total</b>	<b>174,500</b>

**Note 29. Members' Allowances**

The table below shows the amounts payable to Members of the Council as allowances and expenses during the year. More details of what was paid to our Members is available on the "Councillor allowances" page of Council's website.

<b>2021/22</b>	<b>2022/23</b>
<b>£000</b>	<b>£000</b>
407 Allowances	423
5 Expenses	8
<b>412 Allowances paid in the year</b>	<b>431</b>

**Note 30. Officers' Remuneration**

The remuneration of those senior officers on the payroll of Somerset West and Taunton Council were as follows:

Post holder information (Post Title)		Salary, Fees and Allowances	Expenses Allowances	Total Remuneration excluding pension contributions	Pension Contributions	Total Remuneration	Annualised Salary
		£	£	£	£	£	£
Chief Executive	<b>2022/23</b>	<b>128,800</b>	<b>566</b>	<b>129,366</b>	<b>22,385</b>	<b>151,751</b>	<b>128,800</b>
	2021/22	123,762	0	123,762	20,753	144,515	126,875
Director Development and Place	<b>2022/23</b>	<b>106,216</b>	<b>291</b>	<b>106,507</b>	<b>18,588</b>	<b>125,095</b>	<b>106,216</b>
	2021/22	107,053	0	107,053	18,195	125,248	104,291
Director for Housing and Communities	<b>2022/23</b>	<b>106,216</b>	<b>368</b>	<b>106,584</b>	<b>18,588</b>	<b>125,172</b>	<b>106,216</b>
	2021/22	104,291	344	104,635	18,251	122,886	104,291
Director of External Operations and Climate Change *	<b>2022/23</b>	<b>967</b>	<b>0</b>	<b>967</b>	<b>155</b>	<b>1,122</b>	<b>0</b>
	2021/22	64,504	205	64,709	11,900	76,609	104,291
Director of Internal Operations	<b>2022/23</b>	<b>106,216</b>	<b>0</b>	<b>106,216</b>	<b>18,588</b>	<b>124,804</b>	<b>106,216</b>
	2021/22	104,291	0	104,291	18,251	122,542	104,291
Assistant Director & S151 Officer	<b>2022/23</b>	<b>83,583</b>	<b>329</b>	<b>83,912</b>	<b>14,627</b>	<b>98,539</b>	<b>84,350</b>
	2021/22	73,215	306	73,521	12,813	86,334	73,215
Governance Manager (Monitoring Officer) **	<b>2022/23</b>	<b>48,960</b>	<b>0</b>	<b>48,960</b>	<b>8,568</b>	<b>57,528</b>	<b>61,200</b>
	2021/22	57,511	0	57,511	10,064	67,575	57,511

Notes regarding senior officers:-

\* This was back pay paid to the previous postholder for 2021/22. Please note that this post was vacant for the whole of 2022/23.

\*\* This postholder worked part time during 2022/23.

The table below shows the number of other employees, (excluding the senior employees in the table above) whose remuneration, (excluding employer's pension contributions) was £50,000 or more for the year in bands of £5,000 were:

2021/22 Number of employees Total	Remuneration Band	2022/23 Number of employees Total
35	£50,000 - £54,999	10
3	£55,000 - £59,999	28
4	£60,000 - £64,999	3
6	£65,000 - £69,999	2
1	£70,000 - £74,999	0
0	£75,000 - £79,999	9
1	£80,000 - £84,999	0

### Termination Benefits

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit Package Cost Band (including special payments)	Number of Other Departures Agreed		Number of Compulsory Redundancies		Total Number of Exit Packages By Cost Band		Total Cost of Exit Packages In Each Band	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
							£	£
£0 - £20,000	2	2	0	0	2	2	25,062	2,543
£20,001-£40,000	3	1	0	0	3	1	81,919	21,165
£40,001-£60,000	1	0	0	0	1	0	41,478	0
£60,001-£80,000	0	1	0	0	0	1	0	73,284
<b>Total included in the CIES</b>	<b>6</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>4</b>	<b>148,459</b>	<b>96,993</b>

### Note 31. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts:

2021/22 £000	2022/23 £000
74	81
Fees payable to external auditors with regards to external audit services carried out by the appointed auditor for the year	
26	32
Fees paid to external auditors for the certification of grant claims and returns for the year	
<b>100 Total</b>	<b>113</b>

The cost of the basic 2022/23 audit fee was £55k, with additional charges of £26k also being incurred. Fees of £32k relate to the certification of grant claims and include £25k for grant claims relating to Housing Benefit Subsidy and £7k for Capital Receipts Pooling.

**Note 32. Grant Income**

The Council credited the following grants, contributions and donations to the CIES in 2022/23:

2021/22 £000		2022/23 £000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
-6	Revenue Support Grant	-7
-1,743	New Homes Bonus	-1,567
-2,907	Other Non Specific Government Grants	-894
-10,659	Capital Grants	-10,955
<b>-15,315</b>	<b>Total</b>	<b>-13,423</b>
	<b>Credited to Services</b>	
-20,129	Rent Allowances	-18,981
-8,337	Rent Rebates	-8,264
-479	Housing Benefit Admin	-506
-3,133	COVID Grants	-21
-5,360	Other Grants and Contributions	-6,527
<b>-37,438</b>	<b>Total</b>	<b>-34,299</b>
<b>-52,753</b>		<b>-47,722</b>

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that may require surplus balances to be returned to the contributing organisation. The balances at the year-end are as follows:

**Note 33. Related Parties**

The Council is required to disclose material transactions with related parties. Related parties occur where either:

- a) entities or individuals have the potential to control or influence the Council, or
- b) entities may be controlled or influenced by the Council or by individuals who are influential within the Council.

Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

There are exemptions to the disclosure requirements. This is particularly the case where common transactions occur that would apply to all (examples include payments of Council Tax, planning fees, service charges, etc), payments in respect of agency arrangements (such as precept payments) and items disclosed elsewhere within the Statement of Accounts (for example pensions transactions). Councillors and Officers may have received support under the government's COVID support schemes during the year; this will only have been declarable if the extent of this support may have been influenced by an individual.

The following related parties have been identified for Somerset West and Taunton Council:

**UK Central Government**

UK Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions

that the Council has with other parties (e.g. Council Tax bills, housing benefits, etc). Grant income is shown in Note 32 within this Statement of Accounts.

### **Somerset County Council (SCC)**

SWT Council undertakes a wide variety of work in conjunction with Somerset County Council. Partnership arrangements, in which SCC participates, are included amongst other entities, below.

### **Other Entities – Partnership Arrangements**

Somerset Building Control Partnership – Led by Sedgemoor District Council, this is operated as a shared service under the direction of a Joint Committee of elected members working through a management board.

Somerset Waste Partnership (SWP) – This is a partnership between the Somerset councils. It has a joint committee governance structure. SWT carries representation on the Board through elected Members. Somerset County Council is the administering authority and accountable body.

Somerset West Private Sector Housing Partnership/ Somerset Independence Plus – Somerset Independence Plus is a Home Improvement Agency model with its service provided by the Somerset West Private Sector Housing Partnership, a partnership between Sedgemoor District Council, and Somerset West and Taunton Council. Somerset Independence Plus is commissioned by Somerset County Council, Mendip District Council, Sedgemoor District Council and Somerset West and Taunton Council. Sedgemoor District Council is the accountable body.

SHAPE Legal Law and Governance Partnership – SHAPE provides legal services to local councils under a partnership arrangement and operates under a service contract. The accountable body is Mendip District Council.

South West Audit Partnership – SWAP is a “not for profit” internal audit partnership. It is wholly owned and controlled by its members who are local public bodies. It is wholly owned and controlled by its members and is a local authority-controlled company for the purposes of Part V of the Local Government and Housing Act 1989. During the year the Governance Manager was a Director and Board member of South West Audit Partnership Limited.

### **Members and Officers**

Elected Members, Statutory Officers, Directors and Assistant Directors are required to disclose whether, or not, transactions may have occurred between Somerset West and Taunton Council and those organisations in which those Members and senior officers, or their immediate families, hold positions of influence. This is because Members and senior officers of the Council have direct control over the Council’s financial and operating policies.

The total of Members’ allowances paid in 2022/23 is shown in Note 29. Details of officers’ remuneration are disclosed in Note 30.

During the year, transactions with related parties that have not been highlighted separately elsewhere within the Statement of Accounts arose as follows:

Related Party Transactions 2022/23	Income	Expenditure	Debtors Outstanding as at 31st March 2023	Creditors Outstanding as at 31st March 2023
	£000	£000	£000	£000
Exmoor National Park Authority		87		
G & L Consltancy Ltd		13		
Hestercombe House and Garden Trust	14		69	
Mendip District Council	56	589	3	8
Minehead Town Council		33		
North Taunton Partnership		21		
Sedgemoor District Council	234	1,402	17	18
Somerset Community Foundation		50		
Somerset County Council	2,804	3,023	1,056	88
South West Audit Partnership		167		
West Somerset Advice Bureau		40		
<b>Total</b>	<b>3,108</b>	<b>5,425</b>	<b>1,145</b>	<b>114</b>

Where Members and Officers have disclosed related party transactions during 2022/23, the nature of those that are relevant and material are described below:

- Four Members are Members of Exmoor National Park Authority, including one who is a Deputy Chair.
- One Senior Officer's close family member is a owner and director of G&L Consultancy
- One Member is a Trustee Representative for Hestercombe House and Gardens.
- One Member and a member of their family are elected Members of Minehead Town Council.
- One Member is a Trustee of North Taunton Partnership.
- One Member is Director and Trustee for Somerset Community Foundation.
- One Member is a Trustee of West Somerset Advice Bureau.



**Note 34. Capital Expenditure and Capital Financing**

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. The overall Capital Financing Requirement (CFR) will be funded from a combination of future revenue contributions, capital receipts and external funding.

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
<b>192,920</b>	<b>Opening Capital Financing Requirement</b>	<b>248,596</b>
	<i>Capital investment</i>	
18,567	Property, Plant and Equipment	26,035
0	Heritage Assets	27
684	Loans made for service provision	498
1,147	Intangible Assets	266
54,902	Investment Properties	0
7,129	Revenue Expenditure Funded from Capital under Statute	2,826
<b>82,429</b>		<b>29,652</b>
	<i>Sources of finance</i>	
-3,991	Capital receipts	-3,654
-6,396	Government Grants and Other Contributions	-6,763
-6,781	Major Repairs Allowance	-9,802
	<i>Sums set aside from revenue</i>	
-4,491	Direct revenue contributions	-890
-5,094	Minimum Revenue Provision (MRP / VRP)	-5,332
<b>-26,753</b>		<b>-26,441</b>
<b>248,596</b>	<b>Closing Capital Financing Requirement</b>	<b>251,807</b>
	<b>Explanation of movements in the Capital Financing Requirement in year:</b>	
55,676	Increase / (Decrease) in underlying need to borrowing (unsupported by Government financial assistance)	3,211
<b>55,676</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>3,211</b>

**Note 35. Leases****Council as Lessor**

**Operating Leases** - As part of its work to support local communities, the Council has granted leases in respect of a number of its properties (principally commercial premises and business units) which are treated as operating leases.

The Council aims to tackle community deprivation and sustainable community deprivation mixed with its commercial awareness. Due to the nature of leases granted by the Council, the gross investment in the lease and the minimum lease payments that will be received over the periods set out in the following table are subject to significant and sometimes unpredictable variables. This might include, for example, property values at rent-review intervals and the subsequent change in lease payments. In practice it is not possible to reliably predict how long a new or

renewing leaseholder maintains their rental commitment. The figures in the table below are therefore a reasoned estimate, assuming that annual lease income remains constant.

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
-8,678	Not later than one year	-8,540
-30,685	Later than one year and not later than five years	-28,724
-63,060	Later than five years	-62,715
<b>-102,423</b>	<b>Total payments due in future years</b>	<b>-99,979</b>

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

### Council as Lessee

The Council also has property leases with future minimum lease payments of:

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
49	Not later than one year	51
136	Later than one year and not later than five years	119
1,527	Later than five years	1,688
<b>1,712</b>	<b>Total payments due in future years</b>	<b>1,858</b>

The expenditure actually charged to the Comprehensive Income and Expenditure Statement during the year in relation to all the above leases was:

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
<b>83</b>	Minimum Lease Payments	<b>123</b>

## Note 36. Defined Benefit Pensions Schemes

### Participation in Pension Schemes

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

The Council participates in the Local Government Pension Scheme (LGPS) administered locally by Peninsula Pensions on behalf of the Somerset Pension Fund. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with the investment assets.

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and is contracted out of the State Second Pension Scheme and currently provides benefits based on career average revalued salary and

length of service on retirement, with various protections in place for those members in the scheme before the changes took place.

The Somerset Pension Fund is operated under the regulatory framework of the Local Government Pension Scheme and the governance of the Scheme is the responsibility of the Pensions Committee of Somerset County Council. Policy is determined in accordance with the Pension Fund Regulations.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme (i.e. largescale withdrawals from the scheme, changes to inflation, bond yields) and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account (HRA) the amounts required by statute described in the accounting policies (Note 1 above).

The total liability has been adjusted to reflect the current position in relation to implementing changes due to various legal actions i.e. McCloud and Sargeant. Although the cases are not directly related to the Local Government Pension Scheme (LGPS), similar protections were given when the LGPS moved to a new scheme in 2014. The pension fund actuary estimated the impact of this at the last accounting date and therefore it is already included in the starting position. This allowance is therefore incorporated in the roll forward approach and is remeasured at the accounting date along with the normal LGPS liabilities.

#### **Transactions relating to post-employment benefits**

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and the HRA via the Movement in Reserves Statement.

The following transactions shown in the table have been made in the CIES and the General Fund / HRA Balance via the Movement in Reserves Statement during the year.

2021/22 £000		2022/23 £000
<b>Comprehensive Income and Expenditure Statement (CIES)</b>		
<b>Cost of Services</b>		
13,716	Current service cost	9,331
69	Administration expenses	90
<b>Financing and Investment Income and Expenditure:</b>		
2,978	Net interest expense	3,276
16,763	<b>Total Post Employment Benefits charged to the Surplus on the Provision of Services</b>	12,697
<b>Remeasurement of the net defined liability comprising:</b>		
-9,710	Return on assets (excluding the amount included in the net interest expense)	7,480
0	Other Actuarial gains and losses on assets	-1,666
-13,410	Actuarial gains and losses arising on changes in financial assumptions	-119,059
0	Actuarial gains and losses arising on changes in demographic assumptions	-24,834
783	Experience gain and loss on defined benefit obligation	35,421
<b>-22,337</b>	<b>Total Post Employment Benefit Charged to the Income and Expenditure Statement</b>	<b>-102,658</b>
<b>Movement in Reserves Statement</b>		
-16,763	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	-12,697
<b>Actual amount charged against the General Fund balance for pensions in the year:</b>		
5,612	Employers contributions payable to scheme	5,956

### Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows:

2021/22 £000	Local Government Pension Scheme	2022/23 £000
-291,388	Present value of the defined obligation	-194,825
165,697	Fair value of plan assets	164,170
-125,691	Sub-total	-30,655
-3,279	Present value of unfunded obligation	-2,398
<b>-128,970</b>	<b>Net liability arising from defined benefit obligation</b>	<b>-33,053</b>

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

2021/22 £000	Funded liabilities: Local Government Pension Scheme	2022/23 £000
<b>-286,888</b>	<b>Opening balances as at 1 April</b>	<b>-294,667</b>
-9,464	Current service cost	-9,331
-6,213	Interest cost	-7,585
-1,288	Contributions from scheme participants	-1,366
	<b>Remeasurement (gains) and losses</b>	
0	Actuarial gains/(losses) arising from changes in demographic assumptions	24,834
13,410	Actuarial gains/(losses) arising from changes in financial assumptions	119,059
-9,678	Liabilities assumed / (extinguished) on settlements	0
-783	Experience loss/(gain) on defined benefit obligation	-35,421
6,018	Benefits paid	7,034
219	Unfunded Pension Payments	220
<b>-294,667</b>	<b>Closing balance as at 31 March</b>	<b>-197,223</b>

**Reconciliation of fair value of the scheme assets:**

2021/22 £000	Local Government Pension Scheme	2022/23 £000
<b>146,732</b>	<b>Opening fair value of scheme assets</b>	<b>165,697</b>
3,235	Interest income	4,309
	<b>Remeasurement (gain/loss):</b>	
9,710	The return on plan assets, excluding the amount in the net interest expense	-7,480
0	Actuarial gains and losses	1,666
5,426	Settlement prices received / (paid)	0
5,612	Contributions from employers	5,956
1,288	Contributions from scheme participants into the scheme	1,366
-6,237	Benefits paid	-7,254
-69	Administration expenses	-90
<b>165,697</b>	<b>Closing balance as at 31st March</b>	<b>164,170</b>

**Local Government Pension Scheme assets comprised:**

2021/22 £000	Fair Value of Scheme Assets	2022/23 £000
120,321	Equities	122,451
8,359	Gilts	5,870
16,033	Other bonds	17,058
13,309	Property	13,172
7,675	Cash	5,619
<b>165,697</b>	<b>Total</b>	<b>164,170</b>

**Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. The Local Government Pension Scheme has been assessed by Barnett Waddingham LLP, an independent firm of actuaries, with estimates for the Council Fund being based on the latest full valuation of the scheme as at 31 March 2022.

2021/22	Local Government Pension Scheme	2022/23
	<b>Long-term expected rate of return on assets in the scheme:</b>	
	Mortality assumptions:	
	Longevity at 65 for current pensioners	
23.1	- Men	21.4
24.7	- Women	23.2
	Longevity at 65 for future pensioners	
24.4	- Men	22.7
26.1	- Women	24.7
3.20%	Rate of inflation - CPI	2.90%
4.20%	Rate of increase in salaries	3.90%
3.20%	Rate of increase in pensions	2.90%
2.60%	Rate for discounting scheme liabilities	4.80%

**Sensitivity Analysis:**

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses overleaf have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women equally. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analyses overleaf did not change from those used in the previous period.

<b>Sensitivity Analysis 2022/23</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Adjustment to discount rate</b>	<b>0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present Value of total obligation	194,159	197,223	200,366
Projected service cost	3,513	3,637	3,765
<b>Adjustment to long term salary increase</b>	<b>0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present Value of total obligation	197,459	197,223	196,989
Projected service cost	3,640	3,637	3,635
<b>Adjustment to pension increases and deferred revaluation</b>	<b>0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present Value of total obligation	200,185	197,223	194,334
Projected service cost	3,767	3,637	3,511
<b>Adjustment to life expectancy assumptions</b>	<b>+1 Year</b>	<b>None</b>	<b>-1 Year</b>
Present Value of total obligation	205,629	197,223	189,198
Projected service cost	3,772	3,637	3,506

### Impact on the Council's Cash Flows

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of -£33.053m (-£128.970m 2021/22) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

The deficit on the Local Government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

The total of contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2024 is £3.935m.

### Note 37. Contingent Liabilities

Contingent liabilities are not recognised in the accounting statements. Instead, they are disclosed by way of a note if there is a possible obligation, which may require a payment or transfer of economic benefits. As at 31<sup>st</sup> March 2023, the Council had the following contingent liability relating to the large new build contracts at North Taunton and Minehead. The Council could incur costs to the contractor relating to the late completion of contracts due to delays in its own- or third-party permissions or activities for example failure to provide timely Highway permissions to complete the contract. The costs associated with these claims are hard to measure until they are claimed and costed. The contracts place a responsibility on contractor and client to work to avoid these costs being incurred. No claim has been received to date. The contract also has similar terms in relation to the contractor failing to deliver.

## **Note 38. Contingent Assets**

### **Hinkley Point C**

There are two s106 agreements in place between the Council and NNB Generation Company (HPC) Ltd, one in relation to the site preparation works planning permission granted by West Somerset Council in January 2012 and the other in relation to the development consent order granted by the Secretary of State in March 2013. Thus far, all contributions have been paid on time and in full.

The income which is due to be paid to the Council is largely triggered by 'transition' or anniversaries of 'transition'. The transition from the site preparation works planning permission to the development consent order took place in June 2016.

The Council will receive a minimum of £5.778m (maximum £6.031m) in total from the s106 relating to the development consent order. The payments are due over a number of years with the last one due in 2024. Between now and 2024, the Council is due to receive a minimum of £0.089m.

In addition, a supplementary s106 agreement has been signed between the Council and NNB Generation Ltd in August 2022, which the council is due to receive a minimum of £0.250m between now and June 2025.

These amounts do not include any contributions due to other Councils included in the s106 agreement and are alongside Somerset West and Taunton Council, now part of Somerset Council. These are Sedgemoor District Council and Somerset County Council.

## **Note 39. Prior Year Adjustment**

- As part of the preparation of the 2022/23 Statement of Accounts it was found that a valuation in respect of the Brewhouse Theatre had previously been incorrectly valued as zero. In order to correct this a formal valuation was requested for the period ending 31 March 2022 and 31 March 2023. The Council has therefore restated the prior year for 2021/22 in the Balance Sheet, Comprehensive Income and Expenditure Statement, Cashflow Statement. The value of the restatement is £2.788m. These adjustments also feature within the restated disclosure notes for Property, Plant and Equipment (Note 14, Page 52) and Unusable Reserves - Revaluation Reserve (Note 25, Page 73).
- Due to a change in accounting policy in 2022/23 with regards to cash and cash equivalents, it has been necessary to reclassify monies held as such in 2021/22, to short term investments. The Council has therefore restated the prior year for 2021/22 in the balance sheet. The value of the restatement is £17.449m. These adjustments also feature within the restated disclosure notes for Financial Instruments - Financial Assets (Note 16, Pages 61 and 65), Financial Instruments - Credit Risk (Note 17, Page 67), Cash and Cash Equivalents (Note 21, Page 71) and Cash Flow Statement - Investing Activities (Note 27, Page 80)



<b>Prior Period Adjustment - Balance Sheet</b>	<b>As Originally Stated 2021/22 £000</b>	<b>As Restated 2021/22 £000</b>	<b>Amount of Restatement £000</b>
Other Land and Buildings	104,179	107,796	3,617
<b>Long Term Assets</b>	<b>602,527</b>	<b>606,144</b>	<b>3,617</b>
Short Term Investments	0	20,348	20,348
Cash and Cash Equivalents	40,914	20,566	-20,348
<b>Current Assets</b>	<b>70,150</b>	<b>70,150</b>	<b>0</b>
<b>Net Assets</b>	<b>310,375</b>	<b>313,992</b>	<b>3,617</b>
Unusable Assets	225,737	229,354	3,617
<b>Total Reserves</b>	<b>310,375</b>	<b>313,992</b>	<b>3,617</b>

<b>Prior Period Adjustment - CIES</b>	<b>As Originally Stated 2021/22 £000</b>	<b>As Restated 2021/22 £000</b>	<b>Amount of Restatement £000</b>
Surplus (-) or deficit on revaluation of Property, Plant and Equipment assets	-41,978	-45,595	-3,617
<b>Other Comprehensive Income and Expenditure</b>	<b>-64,315</b>	<b>-67,932</b>	<b>-3,617</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>-62,591</b>	<b>-66,208</b>	<b>-3,617</b>

<b>Prior Period Adjustment - Cash Flow Statement</b>	<b>As Originally Stated 2021/22 £000</b>	<b>As Restated 2021/22 £000</b>	<b>Amount of Restatement £000</b>
Investing Activities	-67,141	-87,489	-20,348
<b>Net Increase or Decrease (-) in Cash and Cash Equivalents</b>	<b>-727</b>	<b>-21,075</b>	<b>-20,348</b>
<b>Cash and Cash Equivalents at the end of the reporting period</b>	<b>40,914</b>	<b>20,566</b>	<b>-20,348</b>

Prior Period Adjustment - Movement in Reserves Statement	Unusable Reserves As Originally Stated 2021/22	Unusable Reserves As Restated 2021/22	Amount of Restatement	Total Reserves As Originally Stated 2021/22	Total Reserves As Restated 2021/22	Amount of Restatement
	£000	£000	£000	£000	£000	£000
Total Comprehensive Income and Expenditure	-64,314	-67,931	-3,617	-62,591	-66,208	-3,617
Increase (-) / Decrease in 2021/22	-63,531	-67,148	-3,617	-62,591	-62,208	383
<b>Balance As At 31 March 2022</b>	<b>-225,737</b>	<b>-229,354</b>	<b>-3,617</b>	<b>-310,375</b>	<b>-313,992</b>	<b>-3,617</b>

## SUPPLEMENTARY FINANCIAL STATEMENTS

## Housing Revenue Account

The Housing Revenue Account (HRA) Income and Expenditure Statement shows the economic cost in year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement of the HRA Statement.

2021/22 £000	2022/23 £000      £000	
<b>Income</b>		
-24,543 Dwelling Rents		-25,463
-684 Non Dwelling Rents		-687
-1,444 Charges for Services/Facilities		-1,462
-566 Contributions Towards Expenditure		-557
<u>-27,237</u>		<u>-28,169</u>
<b>Expenditure</b>		
3,803 Repairs and Maintenance	4,256	
12,064 Supervision and Management	12,397	
546 Rents, Rates, Taxes and Other Charges	880	
9,835 Depreciation and Impairment of Fixed Assets	9,220	
116 Movement in the Allowance for Bad Debts	-119	
<u>26,364</u>		<u>26,634</u>
<b>-873 Net Income of HRA Services as included in the CIES</b>		<b>-1,535</b>
229 HRA Service Share of Corporate and Democratic Core		229
<b>-644 Net (Income)/Expenditure of HRA Services</b>		<b>-1,306</b>
<b>HRA Share of Operating and Expenditure included in the CIES:</b>		
16 Pension Administration Costs		22
-989 (Gain) or Loss on Sale of HRA Fixed Assets		-735
2,809 Interest Payable and Similar Charges		2,813
-390 Interest and Investment Income		-330
715 Pension Interest Cost		786
-217 Capital grants and contributions		-99
<b>1,300 (Surplus)/Deficit for the year on HRA Services</b>		<b>1,151</b>

## Statement of Movement on the HRA Balance

2021/22 £000		2022/23 £000	£000
2,685	<b>Balance on the HRA at the end of the previous year</b>		3,412
-1,300	Surplus / (Deficit) for the year on the HRA Income and Expenditure Account	-1,151	
996	Adjustments between accounting basis and funding under Statute (see analysis in Notes to the Supplementary Statements)	928	
-304	Net Increase or (Decrease) before transfers to or from		-223
1,031	Transfers (to) or from Reserves		-203
727	Increase or (Decrease) in the Year on the HRA		-426
<b>3,412</b>	<b>Balance on the HRA at the end of the current year</b>		<b>2,986</b>

## Housing Revenue Account Notes

## HRA Note A. Housing Stock

The Council was responsible for managing 5,653 dwellings during 2022/23. The stock as at 31 March was made up as follows:

2021/22 number of		2022/23 number of
2,770	Houses	2,749
844	Bungalows	842
2,058	Flats and Maisonettes	2,059
<b>5,672</b>		<b>5,650</b>
3	Shared Equity	3
<b>5,675</b>		<b>5,653</b>

**HRA Note B. Value of Assets**

The balance sheet values of HRA assets at 31 March 2023 and 31 March 2022 are shown below.

<b>HRA Non-current assets</b>	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant and Equipment</b>	<b>Infrastructure Assets</b>	<b>Total Property, Plant and Equipment</b>	<b>Assets Held For Sale</b>	<b>Intangible Assets</b>	<b>Total</b>
<b>Movement in 2022/23</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or Valuation</b>								
<b>At 31 March 2022</b>	<b>353,096</b>	<b>6,727</b>	<b>333</b>	<b>1,973</b>	<b>362,129</b>	<b>4,924</b>	<b>1,420</b>	<b>368,473</b>
Additions	18,217	0	49	0	18,266	0	266	18,532
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(35,552)	0	0	0	(35,552)	0	0	(35,552)
Revaluation increases / (decreases) recognised in the Surplus/deficit on the Provision of Services	0	0	0	0	0	0	0	0
Derecognition - Disposals	(379)	(359)	(198)	0	(936)	(1,782)	0	(2,718)
Reclassified within Property, Plant and Equipment	0	(124)	0	0	(124)	0	0	(124)
Reclassified (to)/from Held From Sale	1,861	0	0	0	1,861	(1,861)	0	0
<b>At 31 March 2023</b>	<b>337,243</b>	<b>6,244</b>	<b>184</b>	<b>1,973</b>	<b>345,644</b>	<b>1,281</b>	<b>1,686</b>	<b>348,611</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 31 March 2022</b>	<b>0</b>	<b>(6)</b>	<b>(292)</b>	<b>(1,863)</b>	<b>(2,161)</b>	<b>0</b>	<b>(814)</b>	<b>(2,975)</b>
Depreciation charge	(8,936)	(71)	(26)	(25)	(9,058)	0	(133)	(9,191)
Depreciation written out to the Revaluation Reserve	8,936	0	0	0	8,936	0	0	8,936
Derecognition - Disposals	0	1	198	0	199	0	0	199
Assets reclassified within Property, Plant & Equipment	0	2	0	0	2	0	0	2
<b>At 31 March 2023</b>	<b>0</b>	<b>(74)</b>	<b>(120)</b>	<b>(1,888)</b>	<b>(2,082)</b>	<b>0</b>	<b>(947)</b>	<b>(3,029)</b>
<b>Net Book Value</b>								
<b>At 31 March 2023</b>	<b>337,243</b>	<b>6,170</b>	<b>64</b>	<b>85</b>	<b>343,562</b>	<b>1,281</b>	<b>739</b>	<b>345,582</b>

<b>HRA Non-current assets</b>	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant and Equipment</b>	<b>Infrastructure Assets</b>	<b>Total Property, Plant and Equipment</b>	<b>Assets Held For Sale</b>	<b>Intangible Assets</b>	<b>Total</b>
<b>Movement in 2021/22</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or Valuation</b>								
<b>At 1 April 2021</b>	<b>312,891</b>	<b>8,533</b>	<b>333</b>	<b>1,973</b>	<b>323,730</b>	<b>3,560</b>	<b>1,015</b>	<b>328,305</b>
Additions	12,313	20	0	0	12,333	0	405	12,738
Revaluation increases / (decreases) recognised in the Revaluation Reserve	31,546	6	0	0	31,552	0	0	31,552
Revaluation increases / (decreases) recognised in the Surplus/deficit on the Provision of Services	0	-1,720	0	0	-1,720	0	0	-1,720
Derecognition - Disposals	-852	0	0	0	-852	-1,484	0	-2,336
Derecognition - Other		-48	0	0	-48	0	0	-48
Reclassified within Property, Plant and Equipment	46	-64	0	0	-18	0	0	-18
Reclassified (to)/from Held From Sale	-2,848	0	0	0	-2,848	2,848	0	0
<b>At 31 March 2022</b>	<b>353,096</b>	<b>6,727</b>	<b>333</b>	<b>1,973</b>	<b>362,129</b>	<b>4,924</b>	<b>1,420</b>	<b>368,473</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2021</b>	<b>0</b>	<b>-170</b>	<b>-265</b>	<b>-1,819</b>	<b>-2,254</b>	<b>0</b>	<b>-762</b>	<b>-3,016</b>
Depreciation charge	-8,005	-89	-27	-44	-8,165	0	-52	-8,217
Depreciation written out to the Revaluation Reserve	8,005	237	0	0	8,242	0	0	8,242
Depreciation written out to the Surplus / Deficit on the Provision of Services	0	13	0	0	13	0	0	13
Derecognition - Disposals	0		0	0	0	0	0	0
Derecognition - Other	0	2	0	0	2	0	0	2
Assets reclassified within PPE	0	1	0	0	1	0	0	1
<b>At 31 March 2022</b>	<b>0</b>	<b>-6</b>	<b>-292</b>	<b>-1,863</b>	<b>-2,161</b>	<b>0</b>	<b>-814</b>	<b>-2,975</b>
<b>Net Book Value</b>								
<b>At 31 March 2022</b>	<b>353,096</b>	<b>6,721</b>	<b>41</b>	<b>110</b>	<b>359,968</b>	<b>4,924</b>	<b>606</b>	<b>365,498</b>

**HRA Note C. Value of Dwellings at 31 March 2023**

The open market value of dwellings within the HRA at 31 March 2023 is £963.5m (31 March 2022 £1,008.8m) compared with the balance sheet value of £337.2m (31 March 2022 £353.1m). The difference of £626.3m (31 March 2022 £655.7m) represents the economic cost to the Government of providing Council housing at less than open market rents.

**HRA Note D. Rent Arrears**

Rent arrears as at the end of the financial year were as follows:

<b>31 March £000</b>	<b>31 March £000</b>
759 Rent Arrears	1,074
-343 Provision for Bad Debts	-461
<b>416 Anticipated Collectable Arrears</b>	<b>613</b>

Anticipated Collectable Arrears as a % of Gross Rent Income 2.2% (1.6% in 2021/22)

**HRA Note E. Rent Rebates**

Assistance with rents is available under the Housing Benefits scheme for tenants on low incomes. The rent shown in the HRA is the gross rent before rent rebates are granted.

**HRA Note F. Gross Rent Income**

This is the total rent income due for the year after allowing for voids. During the year 2.51% (1.99% in 2021/22) of available properties were vacant. Average weekly rents were £89.05, an increase of £3.51 (4.10%) over the previous year.

**HRA Note G. Major Repairs Reserve**

The Council is required to maintain a Major Repairs Reserve. The account is credited with depreciation and is used to finance HRA capital expenditure. The depreciation charge for council dwellings is funded by the major repairs allowance, which is included within the HRA subsidy, and reflects the cost of keeping the stock in its current condition.

<b>2021/22 £000</b>	<b>2022/23 £000</b>
<b>6,773 Balance as at 1 April</b>	<b>8,201</b>
8,209 Transfer from Revenue to Major Repairs Reserve	9,086
-6,781 Financing of HRA Capital Expenditure	-9,802
<b>8,201 Balance as at 31 March</b>	<b>7,485</b>

**HRA Note H. Total Capital Expenditure, Capital Financing and Capital Receipts**

<b>2021/22</b> <b>£000</b>		<b>2022/23</b> <b>£000</b>
<b>HRA Capital Expenditure</b>		
12,313	Dwellings	18,217
395	Intangible Assets	266
0	Vehicles, Plant and Equipment	49
<b>12,708</b>		<b>18,532</b>
<b>Financed By</b>		
1,164	Capital Receipts	1,854
126	Grants and Contributions	581
6,781	Major Repairs Reserve	9,802
4,637	Borrowing	6,295
<b>12,708</b>		<b>18,532</b>

The table below shows the amount of capital receipts received by the HRA:

<b>2021/22</b> <b>£000</b>		<b>2022/23</b> <b>£000</b>
3,313	Dwellings	3,291
-46	Administrative Cost of Sales	-36
<b>3,267</b>		<b>3,255</b>

**HRA Note I. Pension Scheme**

Following advice issued by CIPFA regarding Accounting for Defined Benefit Retirement Benefits in the HRA, Somerset West and Taunton Council has concluded that neither ring-fencing nor resource accounting in the HRA require the HRA to be treated differently from other services on the grounds of proper practice. There is therefore an amount of £807,457 included within management expenditure, which reflects the current service costs of the Pension Scheme, in accordance with IAS 19. These costs are currently notional and do not represent real cash outflows. Within the Housing Revenue Account these costs are negated by a contribution from the pension reserve.



**HRA Note J. Adjustments between Accounting Basis and Funding Basis under Statute**

This note details the adjustments that are made to the surplus/deficit for the year recognised by the Council on the HRA Statement 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.

<b>2021/22</b> <b>£000</b>		<b>2022/23</b> <b>£000</b>
-27	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statute requirements	13
-989	Reversal of (gain) or loss on sale of HRA non-current assets	-735
-687	Capital expenditure charged against revenue	0
1,670	HRA share of contributions to or from the Pensions Reserve	1,615
0	Transfer to/(from) Earmarked Reserves	
-8,209	Transfer to/(from) the Major Repairs Reserve	-9,087
9,238	Transfer to/(from) the Capital Adjustment Account	9,122
<b>996</b>	<b>Balance on the HRA at the end of the current year</b>	<b>928</b>

## Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Business Rates.

	Business Rates £000	2021/22 Council Tax £000	Total £000		Business Rates £000	2022/23 Council Tax £000	Total £000
	0	-109,384	<b>-109,384</b>	<b>Income</b>	0	-114,346	<b>-114,346</b>
	-46,535	0	<b>-46,535</b>	Council Tax Receivable	-42,932	0	<b>-42,932</b>
	339	0	<b>339</b>	Business Rates Receivable	358	0	<b>358</b>
	-15,622	0	<b>-15,622</b>	Transitional Protection Payments			
	-2,874	48	<b>-2,826</b>	Apportionment of Previous Year's			
	0	9	<b>9</b>	Central Government	-9,583	0	<b>-9,583</b>
	-314	3	<b>-311</b>	Somerset County Council	-1,725	-475	<b>-2,200</b>
	-12,556	8	<b>-12,548</b>	Police and Crime Comm. for Avon & Somerset	0	-84	<b>-84</b>
	<b>-77,562</b>	<b>-109,316</b>	<b>-186,878</b>	Devon & Somerset Fire & Rescue Authority	-192	-32	<b>-224</b>
				Somerset West and Taunton Council	-7,667	-77	<b>-7,744</b>
				<b>Total Income</b>	<b>-61,741</b>	<b>-115,014</b>	<b>-176,755</b>
				<b>Expenditure</b>			
	29,308	0	<b>29,308</b>	Demands and Shares:			
	5,275	75,727	<b>81,002</b>	Central Government	21,184	0	<b>21,184</b>
	0	13,495	<b>13,495</b>	Somerset County Council	3,813	78,969	<b>82,782</b>
	586	5,035	<b>5,621</b>	Police and Crime Comm. for Avon & Somerset	0	14,230	<b>14,230</b>
	23,446	9,490	<b>32,936</b>	Devon & Somerset Fire & Rescue Authority	424	5,200	<b>5,624</b>
	0	2,538	<b>2,538</b>	Somerset West and Taunton Council	16,947	9,893	<b>26,840</b>
	251	0	<b>251</b>	Parish / Town Councils	0	2,707	<b>2,707</b>
	-1,519	0	<b>-1,519</b>	Costs of Collection	251	0	<b>251</b>
	-391	1,026	<b>635</b>	Increase/(Decrease) in Provision for Appeals	1,813	0	<b>1,813</b>
	0	0	<b>0</b>	Increase/(Decrease) Allowance for Bad & Doubtful Debts	309	679	<b>988</b>
	549	0	<b>549</b>	Interest on Refunds			<b>0</b>
	<b>57,505</b>	<b>107,311</b>	<b>164,816</b>	Disregarded Amounts	185	0	<b>185</b>
	<b>-20,057</b>	<b>-2,005</b>	<b>-22,062</b>	<b>Total Expenditure</b>	<b>44,926</b>	<b>111,678</b>	<b>156,604</b>
	39,578	504	<b>40,082</b>	<b>(Surplus)/Deficit for the year</b>	<b>-16,815</b>	<b>-3,336</b>	<b>-20,151</b>
	<b>19,521</b>	<b>-1,501</b>	<b>18,020</b>	<b>(Surplus)/Deficit Balance Brought Forward</b>	<b>19,521</b>	<b>-1,501</b>	<b>18,020</b>
				<b>(Surplus)/Deficit Balance Carried Forward</b>	<b>2,706</b>	<b>-4,837</b>	<b>-2,131</b>
				Attributable to:			
	9,761	0	<b>9,761</b>	Central Government	1,353	0	<b>1,353</b>
	1,757	-1,069	<b>688</b>	Somerset County Council	244	-3,442	<b>-3,198</b>
	0	-195	<b>-195</b>	Police and Crime Comm. for Avon & Somerset	0	-620	<b>-620</b>
	195	-68	<b>127</b>	Devon and Somerset Fire and Rescue Authority	27	-226	<b>-199</b>
	7,808	-169	<b>7,639</b>	Somerset West and Taunton Council	1,082	-549	<b>533</b>
	<b>19,521</b>	<b>-1,501</b>	<b>18,020</b>		<b>2,706</b>	<b>-4,837</b>	<b>-2,131</b>

**Collection Fund Notes****Council Tax**

The Council's tax base for 2022/23, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply), converted to an equivalent number of Band D dwelling, was calculated as follows:

<b>Band</b>	<b>Number of Taxable Dwellings after Discount</b>	<b>Ratio</b>	<b>Band D Equivalent Dwellings</b>
A (Disabled Reduction)	12.11	5/9	6.73
A	6,582.93	6/9	4,388.62
B	15,729.54	7/9	12,234.09
C	13,097.85	8/9	11,642.53
D	10,062.97	9/9	10,062.97
E	7,737.05	11/9	9,456.40
F	4,675.15	13/9	6,753.00
G	2,176.13	15/9	3,626.88
H	113.50	18/9	227.00
	<b>60,187.23</b>		<b>58,398.22</b>
Less adjustment for Non-Collection			-1,748.90
Council Tax Base 2022/23			<b>56,649.32</b>

**Income from Business Ratepayers**

The Council collects non-domestic rates ('Business Rates') for its area, which are based on local rateable values multiplied by a uniform rate. The Local Government Act 2012 introduced a Business Rates retention scheme that enables local authorities to retain a proportion of the Business Rates generated in their area. Somerset West and Taunton Council pays 50 per cent to Central Government, 9 per cent to Somerset County Council, 1 per cent to the Devon and Somerset Fire & Rescue Authority and retains 40 per cent itself. The Council pays a levy where its share of retained income exceeds a Baseline set by Government, but if its share of retained income is below the Baseline then the Government will pay the Council a safety net payment.

The total non-domestic rateable value at the 31 March 2023 was £129,961,492 (31 March 2022 was £150,157,648). Both the standard national non-domestic multiplier (£0.512) and the national non-domestic small business multiplier (£0.499) were frozen by Central Government for the 2022/23 financial year.

## Glossary of Terms and Abbreviations

This glossary of terms and abbreviations is designed to aid interpretation of the Council's Statement of Accounts.

### **Accounting Period**

The period of time covered by the Council's accounts, normally a period of 12 months commencing on 1 April. The period may also be referred to as the "financial year of account" or "financial year". The end of the accounting period (31 March) is the Balance Sheet date.

### **Accruals**

The concept that income and expenditure are recognised in the financial records as they are earned or incurred, not as cash is received or paid.

### **Actuary**

An actuary is an expert on pension scheme assets and liabilities. The Local Government Pension Scheme actuary assesses the adequacy of employer contributions to the Pension Fund every three years, and updates for changes to the scheme deficit each year.

### **Amortisation**

The measure of the cost of economic benefits derived from intangible fixed assets that are consumed during the period; this generates transactions to the Income and Expenditure Account over a period of time, reflecting the value of these assets to the Council and is similar to the depreciation charge for tangible fixed assets.

### **Amortised Cost**

Amortised cost is the defined amount at which the financial instrument is measured rather than the payments made under a contract.

### **Appropriations**

Amounts transferred between statutory funds and revenue or capital reserves.

### **Assets Held for Sale**

Assets held for sale are assets that are expected to be sold within the next 12 months and are therefore held primarily as a means of generating a capital receipt.

### **Assets under Construction**

Assets under construction are assets that are currently being developed and are not yet completed. They are shown in the accounts at costs incurred in that year.

### **Billing Authority**

A local authority responsible for the collection of Council Tax and non-domestic rates.

### **Budget Requirement**

The budget requirement is the net revenue expenditure calculated in advance each year by every billing authority and precepting authority for their main services (excluding any ringfenced funds such as HRA and pension funds). It is important for two reasons: as a step in the valuation of Council Tax and as a basis for local authority capping. It is calculated as the estimated gross revenue expenditure minus the estimated revenue income, allowing for movements in reserves.

### **Business Rates**

Business Rates (sometimes referred to as Non-Domestic Rates or NDR) are charged on most non-domestic premises, including commercial properties such as shops, offices, pubs, warehouses and factories. The Council uses the rateable value provided by the Valuation Office Agency to calculate how much businesses should pay. The current arrangements, introduced by the government in April 2013, allows for Business Rates Retention. Thus, whilst 50% of the sums collected by the Council are distributed to Central Government, the remaining prescribed shares are distributed to local authorities for the area (SWT Council 40%, Somerset County Council 9% and 1% to Devon and Somerset Fire Authority).

### **Capital Adjustment Account (CAA)**

The CAA is made up of amounts set aside from revenue resources or capital receipts to pay for spending on non-current assets, or for repaying external loans and certain other capital financing transactions.

### **Capital Charges**

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of their services; for the General Fund, the charges reflect notional depreciation costs only; for the HRA, the charge is set aside in the Major Repairs Reserve.

### **Capital Expenditure**

Expenditure on the purchase or provision of assets, which will be of long-term value to the Council i.e. property, plant and equipment.

### **Capital Receipts**

These are the proceeds from the sale of fixed assets such as land and buildings. Capital receipts can be used to repay any outstanding debt on fixed assets or to finance new capital expenditure, within rules set down by Government. Capital receipts cannot, however, be used to finance revenue expenditure.

### **Cash Equivalents**

Short-term highly liquid investments subject to an insignificant risk of changes in value.

### **Capital Financing Requirement (CFR)**

The CFR reflects the Council's underlying need to finance capital expenditure by borrowing or other long-term liability arrangements.

### **Chartered Institute of Public Finance Accountancy (CIPFA)**

CIPFA is the professional accountancy body covering public finance. It provides the secretariat for the CIPFA/ LASAAC Local Authority Code Board, which has formal responsibility for issuing financial reporting standards for local government accounting in the UK.

### **Collection Fund**

The Collection Fund is a statutory fund set up under the provisions of the Local Government Finance Act 1988. It includes the transactions of the charging authority in relation to Business Rates and Council Tax, and illustrates the way in which the fund balance is distributed to the Government, preceptors and the General Fund.

### **Collection Fund Adjustment Account**

This is an unusable reserve that reconciles differences between statutory requirements as a Billing Authority and proper accounting practice.

### **Community Assets**

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets include parks and historic buildings.

### **Componentisation**

Assets are made up of different components which, by their nature, are required to be depreciated according to their individual economical lives. As a basic example, components in a building might comprise land, building structure, major mechanical and electrical items.

### **Council Tax**

This is a charge paid to the Council by households to pay for local services. The proceeds are paid into the Council's Collection Fund. For the purpose of paying Council Tax, residential properties are given bandings (from A to H) that determine the level of Council Tax due for each property. Band D is regarded as the mid-point, or average property valuation band.

### **Creditors**

Amounts owed by the Council at the Balance Sheet date in respect of goods and services received before the end of the financial year.

### **Debtors**

Amounts owed to the Council but unpaid at the Balance Sheet date (31 March 2022).

### **Depreciation**

This is a charge made to the accounts that represents a measure of the wearing out, consumption or other reduction in the useful life of a fixed asset.

### **Derecognition**

The removal of an asset or liability from the Balance Sheet.

### **Developers' Contributions**

Sometimes referred to as Commuted Sums, these are an amount paid to the Council by a developer to cover the cost of maintaining a piece of land or a facility over a number of years; examples include play areas and communal areas.

### **Earmarked Reserves**

Amounts of money set aside for a specific purpose.

### **Expected Credit Losses (ECL)**

The weighted average of credit losses (i.e. bad debts) with the respective risks of a default occurring in line with those weights. ECL has superseded the term 'bad debt provision.'

### **Fair Value**

This is an accounting measurement of the amount for which an asset could be exchanged, or liability settled between knowledgeable and willing parties in an arm's length transaction.

### **Fair Value Through Profit and Loss (FVTPL)**

At each Balance Sheet date (31 March) any movement in the fair value of relevant assets or liabilities that are re-measured is taken directly to the CIES. Primarily, it describes an accounting treatment for changes in the fair value of derivative instruments (a type of financial contract).

### **Fees and Charges**

Income raised by charging for the use of facilities or services.

### **Finance Lease**

A leasing agreement where the potential risks or rewards of the future resale value are transferred and/ or shared between the parties of a lease contract.

### **Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. For local authorities, which do not issue equity instruments, financial instruments may include bank deposits, cash, investments, debtors (or receivables), long-term debtors, creditors, temporary loans and borrowings.

### **Financial Instruments Revaluation Reserve**

An Unusable Reserve that holds financial instruments' unrealised gains and losses. These amounts will only become available once an asset has either been disposed of or reached maturity (i.e. repaid).

### **General Fund**

The General Fund is the primary account through which the District Council's transactions pass relating to non-HRA activities. The balance at year-end is not earmarked for any specific purpose.

### **General Reserves**

Amounts set aside to cover costs and variances in future years, including working capital and contingencies. [Note. Disaster emergencies may be partly underwritten by the government's Bellwin scheme].

### **Housing Revenue Account (HRA)**

This is a ringfenced account which sets out the expenditure and income arising from the direct

provision of housing by the Council in its role as a housing landlord. Neither the General Fund nor the Housing Revenue Account may subsidise each other.

### **International Financial Reporting Standards (IFRS)**

These are accounting standards issued by the Accounting Standards Board. The Council's accounts conform to IFRS's where they are applicable to local authorities.

### **Impairment**

A reduction in the value of non-current assets caused by physical damage, dilapidation or obsolescence.

### **Infrastructure Assets**

Fixed assets that, by their nature, cannot be sold and therefore expenditure is only recoverable by continued use of that asset. Examples of infrastructure assets are highways and footpaths.

### **Inventories**

Inventories include goods or other assets purchased for resale, consumable stores and raw materials. This includes houses built for sale as part of regeneration schemes.

### **Investments**

These comprise deposits of temporary surplus funds with banks or similar approved institutions. They may be short-term, maturing in less than one-year, or long-term investments held for a period of more than one year after the financial year being reported.

### **Investment Properties**

Properties held by the Council solely to earn rentals, or for capital appreciation, or for both.

### **LGR (Local Government Reorganisation)**

On 1 April 2023 the County Council and four district councils in Somerset will form one single new unitary authority called Somerset Council. LGR represents the processes involved in drawing together all services, operations, governance and business arrangements under the new council.

### **Liquid Resources**

Assets which are readily convertible into known amounts of cash.

### **Loans and Receivables**

These are referred to collectively within the disclosure note relating to financial instruments. In this context, the term "loans" refers to sums invested by the Council that are not quoted in an active market; the term "receivables" refers to short-term trade debtors (that is, amounts due to the Council).

### **Minimum Revenue Provision (MRP)**

This is a charge made to the General Fund or HRA revenue accounts representing the setting aside of prudential sums for the repayment of debt. When a Council has incurred borrowing, there is a statutory requirement to set a prudent level of MRP for the General Fund. Additional sums may be set aside voluntarily.

### **Money Market Funds**

This is a type of liquid investment in high-quality, short-term debt instruments, cash, and cash equivalents, and is designed to reduce uncertainty and control risk.

### **Net Book Value**

The amount at which fixed assets are included in the Balance Sheet, equating to their historical cost or current value less accumulated depreciation.

### **Net Current Replacement Cost**

The cost of replacing or recreating a particular asset in its existing condition for its existing use.

### **Net Realisable Value**

The open market value of an asset in its existing use net of the potential selling costs.

### **Non-current assets**

These assets are intended to be in use for several years. They may be tangible (e.g. a building or vehicle) or intangible (e.g. computer software).

### **Operating Lease**

A type of lease, usually for vehicles or equipment, which is similar to renting. The risks and rewards of ownership of the asset must remain with the lessor (being the owner/ provider of the asset being leased) for a lease to be classified as an operating lease.

### **Precept**

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from Council Taxpayers on their behalf.

### **Precepting Authority**

Those authorities which require Billing Authorities to collect Council Tax and Business Rates on their behalf. In Somerset, the County Council, police and fire authorities are “major precepting authorities” whilst SWT Council is a Billing Authority. Parish, community and town councils are “local precepting authorities”.

### **Provisions**

Sums set aside to meet future expenditure where a specific liability is known to exist but cannot be measured accurately.

### **Public Works Loan Board (PWLB)**

A central government agency, which usually provides long-term loans to local authorities.

### **Rateable Value**

Estimate of the value of a property which is used as a basis for local taxation.

### **Reserves**

Reserves are amounts set aside which do not fall within the definition of provisions and include general reserves (or “balances”), which every authority must maintain as a matter of prudence.

### **Revenue Expenditure and Income**

Costs and income relating to the day-to-day running of services e.g. salaries and wages, supplies and services, transport and fees from service-related income.

### **Revenue Expenditure funded from Capital under Statute (REFCUS)**

Legislation in England and Wales allows for some defined expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year’s Council Tax.

### **Revenue Support Grant (RSG)**

This is the grant which the government pays to the Council to bridge the gap between income raised by the Council Tax and Business Rates and the government’s total assessment of the Council’s need to spend (standard spending assessment). The payment of RSG attempts to ensure that differences in spending needs and resources between authorities are equalised across the country to permit each authority to support a standard level of spending.

### **Tangible Assets**

Anything that has long-term physical existence or is acquired for use in the operations of the organisation and is not specifically held for sale to customers. They are recorded in the Balance Sheet and include, for example, plant, property, and equipment.

### **Useful Life**

The period over which the local authority will derive economic benefits from the use of a fixed asset.



**Work in Progress**

The value of work on an uncompleted project at the Balance Sheet date.